U.S. Department of Justice
Office of the Attorney General

# Fiscal Year 2001

# Accountability Report

February 2002

# Fiscal Year 2001
# ACCOUNTABILITY REPORT

U.S. Department of Justice

February 2002

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**A MESSAGE FROM THE ATTORNEY GENERAL**
**February 27, 2002**

I am pleased to submit the Department of Justice's *Accountability Report for Fiscal Year 2001*, prepared under the aegis of the Reports Consolidation Act of 2000 and guidance from the Office of Management and Budget's (OMB) Bulletin No. 01-09. This *Accountability Report* contains the Department's audited consolidated financial statements, as required by the Chief Financial Officers Act (CFO Act) and the Government Management Reform Act; a selection of the Department's performance information, as required by the CFO Act; and a report on the Department's material weaknesses, as required by the Federal Managers' Financial Integrity Act (Integrity Act).

The information provided in this document serves as a mechanism for fiscal and programmatic accountability. It is a report to the American people on our stewardship of the funding we received from them in FY 2001 to enforce the law and fulfill our mission.

The Department of Justice is accountable for meeting the highest standards of effectiveness, efficiency, and integrity. Whether preventing and disrupting terrorist activity, patrolling a remote border area, arguing a legal point in the courtroom, or investigating drug crime, Justice employees have earned a reputation for skill, dedication, and integrity.

With the submission of the FY 2001 consolidated financial statements, Justice earned its first Departmentwide unqualified audit opinion on all its statements. This achievement caps an extensive effort by Department components to produce timely, reliable, and auditable financial reports. Importantly, several components overcame limitations in their financial systems or operations in order to earn FY 2001 unqualified opinions. These accomplishments are evidence of the Department's ongoing dedication to superior performance. Continuing to improve the Department's financial management performance, including our core financial systems, is one of my announced goals for the Department, and one that we will pursue aggressively.

The financial and the performance data presented in this report are fundamentally complete and reliable, as outlined in guidance from OMB. The Department's managers routinely use these data to carry out their responsibilities. (A complete report of the Department's performance can be found in the Department's *FY 2001 Annual Performance Report and FY 2003 Annual Performance Plan*.)

I am also pleased to provide reasonable assurance that our management control and financial systems, taken as a whole, met the objectives of Sections 2 and 4 of the Integrity Act. While we still have a number of material challenges to resolve, the Department is steadily improving in this area.

Although it occurred late in FY 2001, I must reference the effect the terrorist events of September 11, 2001, have had on the Department. Counterterrorism had already been a serious focus of the Department. However, the events of September 11 caused us to further re-prioritize our activities: the fight against terrorism is now the first and overriding priority of the

Department of Justice. To fulfill this mission, we will devote all necessary resources to disrupt, weaken, and eliminate terrorist networks, to prevent or thwart terrorist attacks, and to bring to justice the perpetrators of terrorist acts. We have revised our Strategic Plan to more clearly identify our efforts and goals in this area.

The men and women of the Department of Justice, with our commitment to the defense of freedom and the principles of justice for all Americans, will meet the challenges and mission laid out by the President both prior to and after September 11. We will not rest in the pursuit of these priorities, and we will not fail in our mission.

John Ashcroft

John Ashcroft

**A MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER**
February 27, 2002

The submission of the Fiscal Year (FY) 2001 consolidated financial statements for the Department of Justice marks the first time the Department has earned an unqualified audit opinion on all its statements. Our components devoted tremendous energy to pursuing improvements in accounting practices, internal controls, and systems to enable the Department to earn an unqualified opinion on all its statements. The FY 2001 unqualified opinion shows the positive results of those efforts. I want to extend my appreciation to the individuals and organizations whose outstanding work made the FY 2001 financial statement accomplishments possible.

Our financial management improvement work is not finished. Although the Department earned an unqualified opinion, the independent auditors reported material weaknesses in internal controls and financial systems in several of the Department's components. Five of the Department's seven accounting systems remain noncompliant with federal systems standards, and the positive opinion results on the FY 2001 statements were achieved only by overcoming limitations in certain component financial systems or business practices.

Improving departmental financial management performance is one of the Attorney General's strategic objectives. Because the ability to improve performance, eliminate control weaknesses, and sustain unqualified opinions on our statements is directly related to our capacity to rely on our core accounting systems, in FY 2001 we announced a plan to acquire a new Departmentwide core financial system. The effort is known as the Unified Financial Management System Project, and the process is underway to acquire a commercial off-the-shelf core system that is compliant with applicable federal systems standards. The project will be a multi-year effort, with implementation beginning with the components currently operating noncompliant legacy systems.

The Department is committed to the successful pursuit of our systems modernization project, and to the successful elimination of the weaknesses in our business practices and controls. We look forward to continued progress toward these goals during the coming year.

Robert F. Diegelman

## OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statement of the U.S. Department of Justice for the fiscal year ended September 30, 2001. The Department of Justice is responsible for enforcing criminal and civil laws, ensuring public safety against foreign and domestic threats, providing leadership in preventing and controlling crime, seeking just punishment for those guilty of unlawful behavior, and ensuring fair and impartial administration of justice for all Americans. In fiscal year (FY) 2001, the Department had approximately 130,000 employees and total budgetary resources of approximately $32.3 billion.

Under the direction of the Office of the Inspector General (OIG), PricewaterhouseCoopers LLP performed the FY 2001 consolidated Department audit and three of the ten component audits. Three other independent public accounting firms performed the remaining seven component audits, upon which PricewaterhouseCoopers LLP relied when issuing the report on the consolidated financial statements. The Department received an unqualified opinion on all of its FY 2001 financial statements. This was an improvement over FY 2000 when the Department received an unqualified opinion on its balance sheet and statement of custodial activity and a qualified opinion on its remaining statements.

Similar to FY 2000, the Department had to expend tremendous manual efforts and costs in preparing its financial statements for FY 2001. Because the Department lacks automated systems to readily support ongoing accounting operations, financial statement preparation, and the audit process, many tasks had to be performed manually. For example, in order to determine deferred revenue at year end, the Immigration and Naturalization Service again had to count manually approximately five million immigration applications. In addition, because some components' program management systems are not integrated with their financial accounting systems, manual reconciliations between the two systems were required in order to support amounts reported on the financial statements. Significant costly and time-intensive manual efforts will continue to be necessary for the Department and its components to produce financial statements until automated, integrated processes and systems are implemented that readily produce the necessary information. The OIG's concern about these conditions is increased by the accelerated submission dates that the Office of Management and Budget has established for future audited financial statements. For FY 2002, the annual financial statements, which must also be part of the Department's Performance and Accountability Report, are due one month earlier than in FY 2001. In addition, the Department will have to prepare interim financial statements as of March 31 for FY 2002, and quarterly financial statements for FY 2003. Consequently, these accelerated submission dates, coupled with the Department's reliance on manual processes, will further challenge the Department and its components' ability to routinely and timely prepare financial statements.

With regard to the FY 2001 consolidated financial statements, all three material weaknesses previously reported in FY 1999 and FY 2000 at the Department level remain as material weaknesses in FY 2001. However, some of the Department components showed improvement. In FY 2001, the components had a total of 13 material weaknesses (versus 15 in FY 2000) and

12 reportable conditions (versus 23 in FY 2000). In addition, the previously reported weakness involving fund balance with Treasury is no longer a reportable condition at the Department level. The table on the following page compares the FY 2001 and the FY 2000 audit results for the Department consolidated audit as well as for the ten individual component audits.

The first material weakness at the Department level occurred because seven of ten components did not record all of their financial transactions in accordance with generally accepted accounting principles. This weakness reflected problems with the accounting and reporting of liabilities, revenue, property, and inventories in particular.

The second material weakness resulted from weaknesses in six of ten components' financial management systems' general and application controls. Additionally, in the consolidated Report on Compliance with Laws and Regulations, the auditors identified five Department components that were not compliant with the Federal Financial Management Improvement Act of 1996 (FFMIA), which specifically addresses the adequacy of federal financial management systems. Last year, this material weakness also included general control issues cited at the Department's data processing centers and the FBI's information systems control environment. However, for FY 2001 these general controls were reviewed pursuant to the Government Information Security Reform Act, and the detailed results of the reviews are included in two separate reports. A separate report on the FBI information systems control environment will be issued in support of the FY 2001 DOJ consolidated financial statement audit.

The third material weakness arose because six Department components did not have effective financial statement preparation processes to ensure financial statements were completed in conformance with the Department's requirements. Additional issues relating to intra-governmental transactions and the consolidation process were also noted.

In addition to the previously mentioned FFMIA system-related deficiencies, the consolidated Report on Compliance with Laws and Regulations cited one other instance of component noncompliance with the Debt Collection Improvement Act.

| Comparison of FY 2001 and FY 2000 Audit Results | | | | | | |
|---|---|---|---|---|---|---|
| **Reporting Entity** | **Auditors' Opinion On Financial Statements** | | **Number of Material Weaknesses[1]** | | **Number of Reportable Conditions[2]** | |
| | **2001** | **2000** | **2001** | **2000** | **2001** | **2000** |
| Consolidated Department of Justice | Unqualified[3] | Qualified[4,5] | 3 | 3 | 0 | 1 |
| Assets Forfeiture Fund and Seized Asset Deposit Fund | Unqualified | Unqualified | 0 | 0 | 0 | 2 |
| Federal Bureau of Prisons | Unqualified | Unqualified | 0 | 0 | 0 | 3 |
| Drug Enforcement Administration | Unqualified | Unqualified | 4 | 4 | 1 | 2 |
| Federal Bureau of Investigation | Unqualified | Unqualified | 3 | 2 | 1 | 1 |
| Federal Prison Industries, Inc. | Unqualified | Unqualified[6] | 2 | 5 | 2 | 1 |
| Immigration and Naturalization Service | Unqualified | Qualified[5] | 3 | 3 | 1 | 3 |
| Offices, Boards and Divisions | Unqualified | Unqualified | 0 | 0 | 2 | 2 |
| Office of Justice Programs | Unqualified | Unqualified | 0 | 0 | 3 | 3 |
| U.S. Marshals Service | Unqualified | Unqualified | 1 | 1 | 2 | 3 |
| Working Capital Fund | Unqualified | Unqualified | 0 | 0 | 0 | 3 |
| | | *Component Totals* | 13 | 15 | 12 | 23 |

[1] A material weakness is a reportable condition (see below) in which the design or operation of the internal control does not reduce to a relatively low level the risk that error, fraud, or noncompliance in amounts that would be material in relation to the principal statements or to performance measures may occur and not be detected within a timely period by employees in the normal course of their assigned duties.

[2] A reportable condition includes matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal controls that could adversely affect the entity's ability to properly report financial data.

[3] Unqualified opinion -- An auditor's report that states the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in conformity with generally accepted accounting principles.

[4] Qualified opinion -- An auditor's report that states, "except for" matters identified in the report, the financial statements present fairly, in all material respects, the financial position and results of operations of the reporting entity, in conformity with generally accepted accounting principles.

[5] Qualified on Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and Statement of Financing. Unqualified on other financial statements.

[6] Originally reported as qualified, but qualification subsequently removed during FY 2001 audit.

# INTRODUCTION

## REPORTING PROCESS

For Fiscal Year (FY) 2001 reporting purposes, the Department of Justice (Department) has chosen to create an Accountability Report centered around its consolidated annual financial statements. In addition to the contents normally required in agencies' annual financial statements, this Report includes high level performance goals, objectives, and results, consistent with those being reported in the Department's Annual Performance Report and Plan, as required by the Government Performance and Results Act (GPRA); material weaknesses and material nonconformances, along with corresponding corrective action reports, as required by the Federal Managers' Financial Integrity Act (Integrity Act); and a statement by the Inspector General summarizing what he considers to be the Department's most serious management challenges.

This report opens with a message from the Attorney General. In it, the Attorney General provides the assurance required by the Integrity Act, as well as his assessment of the completeness and reliability of the performance and financial data, required by the Office of Management and Budget Circular A-11.

In response to the terrorist attacks on September 11, 2001, the Department realigned its priorities to place combating terrorism at the top of its list. On November 8, 2001, the Attorney General announced major changes in the Department to support its counterterrorism role. The Department continues to vigorously enforce the broad spectrum of laws of the United States; however, the fight against terrorism is now the first and overriding priority of the Department. In support of this change in focus, the Attorney General also announced the Department's Strategic Plan for FYs 2001-2006 (available electronically on the Department's web site at: http://www.usdoj.gov/jmd/mps/strategic2001-2006/index.htm). The new Strategic Plan includes eight strategic goals, which replace the seven goals in previous Plans. Although this year's Report aligns with the seven strategic goals listed in the FY 2000-2005 Strategic Plan (also available on the Internet at http://www.usdoj.gov/archive/mps/strategic2000_2005/index.htm), the Department will change the presentation of performance information in the future to reflect the new priorities stemming from the September 11 attacks.

## ORGANIZATION OF THE REPORT

The format of this year's Accountability Report aligns with the seven goals in the FY 2000-2005 Strategic Plan, since that was the administrative structure in place throughout the year.

This Report consists of four sections. The first section comprises the message from the Attorney General; a message from the Acting Chief Financial Officer (CFO); and a commentary and summary from the Office of the Inspector General (OIG).

The second section, Management's Discussion and Analysis, includes summary information about the mission and organization of the Department; performance information for a

selection of departmental programs; information regarding material weaknesses and material nonconformances, as required by the Integrity Act; and the Department's response to the Inspector General's (IG) list of the Department's most serious management challenges.

The third section includes the report of the independent accountants and the financial statements and associated notes.

The fourth section contains the appendices. They include (A) the OIG Audit Division analysis and summary of actions necessary to close the FY 2001 annual financial statement audit report, (B) the Department's organization chart, (C) the Department's financial structure, (D) the Department's strategic goals and objectives in effect during FY 2001, (E) a list of acronyms, (F) a list of Department component web sites, (G) the Corrective Action Reports for the material weaknesses and nonconformances as required by the Integrity Act, and (H) a letter from the IG to the Attorney General identifying his list of the top ten management challenges for the Department.

The scope and complexity of the Department's mission make it impossible to describe in a single document the full range and content of the Department's programs and activities. Where appropriate, reference has been made to other plans and reports that provide more detailed information in specific areas.

This report is available at http://www.usdoj.gov/ag/annualreports/ar2001/index.html.

# MANAGEMENT'S DISCUSSION AND ANALYSIS
## (unaudited)

### DEPARTMENTAL REPORTING ENTITY

This report presents the Fiscal Year (FY) 2001 consolidated financial statements for the Department of Justice (Department). Under Title IV of the Government Management Reform Act (GMRA) of 1994, the Attorney General shall prepare and submit to the Director of the Office of Management and Budget (OMB), an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the Department. Under the direction of the Chief Financial Officer (CFO), the Justice Management Division (JMD) prepares the Department's consolidated financial statements. The Office of the Inspector General (OIG) is responsible for the audit of these statements. The Department's FY 2001 audited financial statements were consolidated based upon the results of audits undertaken at each of the 10 departmental reporting entities.

### MISSION AND ORGANIZATIONAL STRUCTURE

#### Mission

On November 8, 2001, the Attorney General announced a comprehensive review and reorganization of the Department to meet the counterterrorism mission. At the same time, the Attorney General also released the Department's Strategic Plan for Fiscal Years 2001-2006. This Plan adds a new strategic goal that reflects the post September 11, 2001, realities of our mission—to protect our nation and its citizens from a serious, immediate, and ongoing threat of terrorism—and describes the objectives we will pursue to accomplish it. To achieve this goal, we will devote all resources necessary to disrupt, weaken, and eliminate terrorist networks, to prevent or thwart terrorist attacks, and to bring to justice the perpetrators of terrorist acts. Although the fight against terrorism has always been part of our mission, it is now the first and overriding priority of the Department. The overall mission of the Department, as reflected in its Strategic Plan for Fiscal Years 2001-2006, is:

> *To enforce the law and defend the interests of the United States according to the law; to ensure public safety against threats foreign and domestic; to provide federal leadership in preventing and controlling crime; to seek just punishment for those guilty of unlawful behavior; to administer and enforce the Nation's immigration laws fairly and effectively; and to ensure fair and impartial administration of justice for all Americans.*

From this mission stems the Department's strategic and annual planning processes. The Department embraces fully the concepts of performance-based management. At the heart of these concepts is the idea that focusing on mission, agreeing on goals, and reporting results are keys to improved performance. In the Department, strategic planning is the first step in an iterative planning and implementation cycle. This cycle, which is the center of the Department's efforts to implement performance-based management, involves setting long-term goals and objectives, translating these goals and objectives into budgets and program plans, implementing

programs and monitoring the performance, and evaluating results. In this cycle, the Department's Strategic Plan provides the overarching framework for component and function-specific plans as well as annual performance plans, budgets, and reports.

**Organizational Structure of the Department**

The Department is headed by the Attorney General of the United States. It is comprised of 39 separate component organizations. These include the U.S. Attorneys (USAs) who prosecute offenders and represent the U.S. Government in court; the major investigative agencies, the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA), which prevent and deter crime and arrest criminal suspects; the Immigration and Naturalization Service (INS) which controls the border and provides services to lawful immigrants; the U.S. Marshals Service (USMS) which protects the federal judiciary, apprehends fugitives, and detains persons in federal custody; and the Bureau of Prisons (BOP) which primarily confines convicted offenders. Litigating divisions enforce federal criminal and civil laws, including civil rights, tax, antitrust, environmental, and civil justice statutes. The Office of Justice Programs (OJP) and the Office of Community Oriented Policing Services (COPS) provide leadership and assistance to state, tribal, and local governments. Other major departmental components include the National Drug Intelligence Center (NDIC), the U.S. Trustees (UST), the JMD, the Executive Office for Immigration Review (EOIR), the Community Relations Service (CRS), and the OIG. Although headquartered in Washington D.C., the Department conducts much of its work in offices located throughout the country and overseas. Appendix B contains an organization chart showing the structure of the Department.

**Financial Structure**

The Department's financial structure is comprised of the following principal components:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Working Capital Fund (WCF)
- Offices, Boards, and Divisions (OBDs) (These are listed in Appendix C.)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Immigration and Naturalization Service (INS)
- Federal Bureau of Prisons (BOP)
- Federal Prison Industries, Inc. (FPI)

**PERFORMANCE INFORMATION**

**Resources and Accomplishments**

A sampling of the Department's performance information is presented on the following pages. The information is organized by strategic goal and strategic objective and is consistent with the

Department's Government Performance and Results Act (GPRA) performance plans and reports. A full report on the Department's performance is included in the *FY 2001 Performance Report and FY 2003 Performance Plan*, available electronically on the Department's web site at http://www.usdoj.gov/ag/annualreports/pr2001/TableofContents.htm. Note that although we are now operating under a Strategic Plan that has eight strategic goals, our financial statement for FY 2001 is presented using the seven strategic goals and related performance goals that were in effect during FY 2001, as contained in the Strategic Plan dated September 2000. (This Strategic Plan is also available at http://www.usdoj.gov/archive/mps/strategic2000_2005/index.htm.) The strategic goals and objectives on which this report is based are listed in Appendix D. The seven strategic goals are also listed in Table 2.

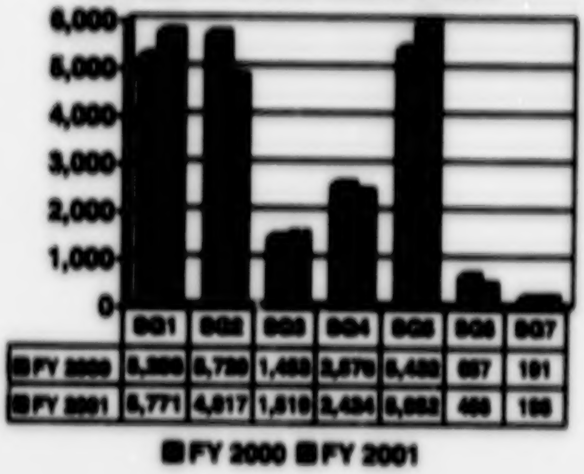
**Table 1. Source of DOJ Resources**
**(Dollars in Thousands)**

| Source | FY 2000 | FY 2001 |
|---|---|---|
| Appropriations Used | $ 20,363,468 | $ 19,863,667 |
| Other Non-exchange Revenue | 1,249,249 | 1,012,184 |
| Imputed Financing | 506,441 | 575,415 |
| Donations | 1,098 | 792 |
| Transfers, Net | 88,602 | 99,764 |
| Other Financing Sources | - | (2,350) |
| **Total** | **$ 22,208,858** | **$ 21,549,472** |

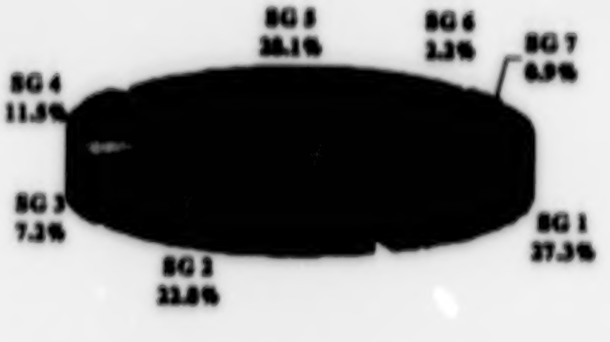
**Table 2. How DOJ Resources are Spent (Net of Earned Revenue)**
**(Dollars in Thousands)**

| Strategic Goal (SG) | FY 2000 | FY 2001 | Change % |
|---|---|---|---|
| SG 1. Keep America Safe by Enforcing Federal Criminal Laws | $ 5,258,329 | $ 5,771,185 | 9.8% |
| SG 2. Prevent and Reduce Crime and Violence by Assisting State, Tribal, Local, and Community-Based Programs | 5,719,599 | 4,817,069 | -15.8% |
| SG 3. Protect the Rights and Interests of the American People by Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests | 1,453,357 | 1,518,714 | 4.5% |
| SG 4. Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States | 2,575,713 | 2,423,980 | -5.9% |
| SG 5. Protect American Society by Providing for the Safe, Humane, and Secure Confinement of Persons in Federal Custody | 5,432,111 | 5,951,799 | 9.6% |
| SG 6. Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure it Operates Effectively | 656,928 | 458,145 | -30.3% |
| SG 7. Ensure Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs | 191,045 | 196,450 | 2.8% |
| **Total** | **$ 21,287,082** | **$ 21,137,342** | **-0.7%** |

**Comparison of Net Costs ($ mil) - FY 2000 and FY 2001**




**FY 2001 Net Costs by Strategic Goal**




## FY 2001 Financial Highlights

The Department's total assets as of September 30, 2001, were $29 billion, with approximately 68 percent of that balance consisting of the fund balance held with the Department of the Treasury. Total liabilities were approximately $7 billion. The net cost of operations totaled $21.1 billion for the year ended September 30, 2001, an amount consistent with the $21.3 billion in net costs reported for FY 2000, and reflective of the stability in the Department's overall program costs. Significant changes in expenditures from FY 2000 to FY 2001 are explained below for selected goals:

**Strategic Goal I, Keep America Safe by Enforcing Federal Criminal Laws,** includes the criminal prosecution related functions of the OBDs, the USAs, the Assets Forfeiture Fund, the DEA, and the FBI. In FY 2001, Goal I reflects an increase in net costs of $512.9 million over FY 2000, or a 9.8 percent increase. Included in that increase was $24 million in appropriated resources fo: the USAs (OBD component) for firearms, violent crime, computer crime, and intellectual property theft prosecutions. The FBI and DEA received over $230 million in additional direct Salary and Expense Appropriations, and the FBI received an additional $36.9 million in FY 2001 from the Counterterrorism Fund for post September 11, 2001, activities.

**Strategic Goal IV, Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States,** primarily includes the INS. In FY 2001, Goal IV net costs decreased by $151.7 million compared to FY 2000, a decrease of 5.9 percent. Contributing to the decrease in net costs were increased collections realized from immigration user fees, exam fees, and breached bonds reported by the INS. Also impacting the FY 2001 collections was the Legal Immigration and Family Equity Act (LIFE Act) signed into law on December 21, 2000. Provisions of the new LIFE Act allowed the INS to collect additional immigration penalties, the results of which contributed to FY 2001's increased revenue.

**Strategic Goal VI, Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure It Operates Effectively**, includes the UST program, the Department's Fees and Expenses of Witnesses programs (OBD components), and the activities of the USMS. In FY 2001, net costs decreased by $198.8 million compared to FY 2000, a 30.3 percent decrease. Last year's higher Goal VI costs included approximately $200 million in funding in the Violent Crime Appropriation for the USMS. In FY 2001, certain Violent Crime funding was moved to the USMS Salaries and Expenses appropriation, thus distributing FY 2001 costs between the USMS Goal V Detention activities and Goal VI Protection of the Judiciary activities.

**Strategic Goal VII, Ensure Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs**, includes the JMD and the Wireless Management Office, among other OBD offices, and the WCF. In FY 2001, Goal VII net costs increased by approximately $5.4 million over FY 2000, or 2.8 percent. This increase in expenditures is primarily due to an appropriated enhancement in the Wireless Management Office in FY 2001.

**Data Reliability and Validity**

The Department views data reliability and validity as critically important in the planning and assessment of its performance. As such, this document includes a discussion of data validation and verification for each performance measure presented. In addition, each reporting component was requested to ensure that data reported met the OMB standards for data reliability that is presented in Circular A-11, Section 232.10(c). The OMB standard is as follows:

> *Performance data are acceptably reliable when there is neither a refusal nor a marked reluctance by agency managers or government decisionmakers to use the data in carrying out their responsibilities. Performance data need not be perfect to be reliable, and the cost and effort to secure the best performance data possibly can exceed the value of any data so obtained.*

## STRATEGIC GOAL ONE:

**Keep America Safe by Enforcing Federal Criminal Laws** ***27.3% of the Department's Net Costs support this Goal.***

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**Background/Program Objectives:**

To reduce the availability of drugs, the Department of Justice drug strategy is to target the largest drug supply networks and dismantle their entire infrastructure--from international supply, through national transportation cells, to regional and local distribution organizations. The Organized Crime Drug Enforcement Task Force program, with its coordinated, multi-agency, multi-district investigations, is the primary mechanism for implementing this strategy. Both DEA and the FBI are major contributors to this effort.

Under DEA's Priority Drug Enforcement system, each field division nominates drug trafficking organizations that are operating in its area of responsibility for priority status, through each annual Field Management Plan, which provides a blueprint for each field office's implementation of the Strategic Plan. DEA Headquarters approves and categorizes the nominated targets as priority International, National/Regional, and Local Targets.

In FY 2001, the FBI identified 14 National Priority Targets (NPTs) – the major Colombian, Mexican, and Dominican drug trafficking organizations. The FBI's drug resources are primarily directed against the most significant national/local drug trafficking organizations.

**Targeted/Dismantled/Disrupted Priority Drug Trafficking Organizations (DEA)**

| Priority Drug Trafficking Organizations Targeted | FY 2001 |
|---|---|
| International | 234 |
| National/Regional | 264 |
| Local | 134 |
| TOTAL | 632 |
| Priority Drug Trafficking Organizations Disrupted/ Dismantled | FY 2001 |
| International | 30 |
| National/Regional | 24 |
| Local | 12 |
| TOTAL | 66 |

**Data Definition:** Disruption occurs when the normal and effective operation of a specific enterprise of the targeted criminal organizations is impacted as a result of an affirmative law enforcement action. Indicators of disruption include changes in organizational leadership, trafficking patterns, drug production methods and violence within and between organizations. Dismantlement occurs when an identified organization is incapacitated and no longer capable of operating as a coordinated criminal enterprise. The organization must be impacted to the extent that it is incapable of reforming.

**Data Collection and Storage:** Each Special Agent in Charge (SAC) nominates priority targets (based on intelligence information). Headquarters staff ensure targets are tracked and nominations are supported by data and information stored in the Priority Target Activity and Resource Reporting System (PTARRS).

**Data Validation and Verification:** Targets are validated by the Chief, Operations Division at DEA . Headquarters staff ensure the disruptions and dismantlements are supported.

**Data Limitations:** DEA is currently improving reporting systems that capture investigative work hours and cost data. DEA also recently initiated a Managerial Cost Accounting Study that will eventually allow the agency to capture actual full costs of investigating, disrupting, and dismantling PDTOs.

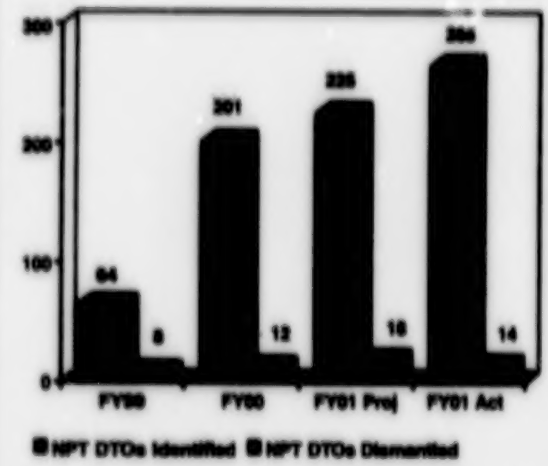
The USAs, USMS, INS, and other federal, state, and local law enforcement entities also participate by using a wide range of capabilities in partnership with DEA and the FBI to disrupt

and dismantle the highest level of drug trafficking organizations and those with an identified local impact.

**Performance Measure:** Priority Drug Trafficking Organizations (PDTOs) Disrupted or Dismantled [DEA]
**FY 2001 Actual Performance:** 66 organizations were dismantled or disrupted out of a total of 632 organizations targeted.
**Discussion of Accomplishments:** For FY 2001, DEA disrupted or dismantled 10% of the PDTO's that were targeted. Of the organizations dismantled or disrupted, 45% were international targets, 36% were national/regional targets, and 18% were targets with local impact.

**Performance Measure:** Dismantled Drug Trafficking Organizations (DTOs) [FBI] (Formerly United States-Based Drug Organizations Affiliated with the 14 NPTs
**FY 2001 Actual Performance:**
NPT DTOs Identified 265
NPT DTOs Dismantled 14
**Discussion of Accomplishments:**
The most important objective of the drug strategy is its commitment to dismantle targeted drug organizations. The complete dismantlement of an organization involves long-term, comprehensive investigations that probe the full scope of the organization and its network of affiliates. In FY 2001, the FBI dismantled a total of 137 organizations, 14 of which were affiliated with the 14 NPTs.

**Dismantled Drug Trafficking Organizations (FBI)**




**Data Collection and Storage:** The data source is ISRAA, a centralized database whereby the FBI tracks statistical accomplishment of cases from inception to closure. In 1999, the FBI Drug Program designated each National Priority Target with a Crime Problem Indicator (CPI) code. The utilization of these codes will allow a more refined identification and analysis of FBI investigative activities.

**Data Validation and Verification:** Before data is entered into the system they are reviewed and approved by an FBI field manager. They are subsequently verified through the FBI's inspection process. Inspection occurs on a 2 to 3 year cycle. Using statistical sampling methods, data in ISRAA is traced back to source documents contained in FBI files.

**Data Limitations:** None known at this time.

[redacted]

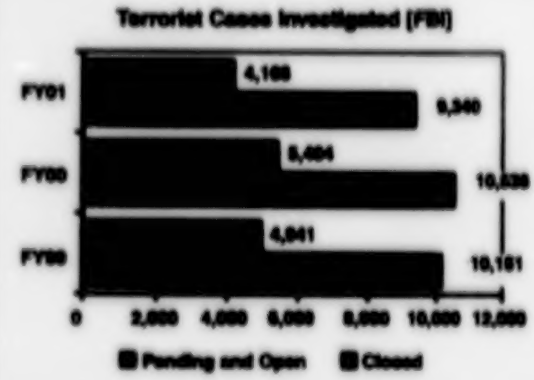
**Background/Program Objectives:**

Through criminal and national security investigations the Department works to arrest, prosecute, and deport terrorists and their supporters and to disrupt financial flows that provide resources to terrorist operations. These investigations enable the Department to gather information, develop and solidify relationships with critical partners, and maintain a presence visible to both potential terrorists and the American public, all of which are critical pieces of the Department's counterterrorism efforts.

On November 8, 2001, the Attorney General outlined a wartime reorganization and mobilization of the Nation's justice and law enforcement resources to meet the counterterrorism mission of the Department. A critical piece of this initiative is the reorganization of the FBI. Although the FBI remains the key component in the identification and investigation of terrorist activities, DEA and the INS also contribute intelligence and investigative support to the FBI. Furthermore, the USAs and the Criminal Division play a vital role in all aspects of the war against terrorism, in particular, the prosecution of terrorist acts.

For the Department to have the optimum deterrence mechanisms in place to combat terrorism, it recognizes the principle of "maximum feasible capacity." Through the efforts of the FBI, the Department specifically identifies the critical elements of a successful counterterrorism program to: 1) assess the program's current capacity; 2) identify performance gaps; and 3) develop strategies that maximize federal law enforcement's ability to deter terrorist activity. Once maximum feasible capacity has been achieved, the Department will have the ability to better detect, deter, and address potential terrorist threats.

To address effectively international and domestic terrorism, the Department will investigate and prosecute terrorist matters as they occur, but the emphasis of the Department's counterterrorism program will be on prevention. By developing maximum capacity, the Department can effectively respond to terrorist activities from a reactive and proactive field, headquarters, inter-component, and interagency standpoint.




**Data Collection and Storage:** The data source for the number of investigations is the FBI's Monthly Administrative Report (MAR), which tracks the number of cases opened, pending and closed within any given time period; and ISRAA, a centralized database that tracks statistical accomplishment of cases from inception to closure.

**Data Validation and Verification:** Before data are entered into the ISRAA system they are reviewed and approved by an FBI field manager. Data in both systems are subsequently verified through the FBI's inspection process. Inspection occurs on a 2 to 3 year cycle. Using statistical sampling methods, data in ISRAA is traced back to source documents contained in FBI files.

**Data Limitations:** None known at this time.

**Performance Measure:** Number of Terrorist Cases Investigated (International and Domestic)

**FY 2001 Actual Performance:**

*Pending and Open – 9,340*

*Closed – 4,166*

**Discussion of Accomplishments:** Each case represents effort towards the investigation and prevention of terrorism. While the number of investigations itself does not fully capture the efforts or effects of the Department's counterterrorism program, this measure does show activity towards the ultimate goal of preventing terrorism. The FBI is in the process of constructing an index that will reflect the state of counterterrorism efforts more effectively. This performance capacity index, reported with number of terrorist cases investigated and terrorist convictions, will provide a more comprehensive mechanism for reporting performance in counterterrorism to external oversight and the American public.

[redacted]

**Background/Program Objectives:**
Foreign intelligence operations directed against the United States reflect the complexity and fluidity of the new world order. While the national goals of many traditional rivals have changed, their capabilities and willingness to target traditional objectives, such as national defense information, plans, and personnel, have not. At the same time, many of these rivals have increased their activities in other sectors affecting our national interests, such as in economic competitiveness, and now target U.S. interest in these areas. They join a formidable array of other foreign powers jockeying for economic or political preeminence whose success in these areas is dependent upon effective intelligence operations directed against the United States.

Foreign intelligence threats can never be eliminated given that their origin and impetus lie primarily with sovereign states. They are planned, authorized, and financed by government entities beyond our boundaries and the reach of our laws. Measures of success in these areas will gauge the FBI's capacity to detect potential hostile activities by foreign powers against the United States. In addition, the FBI will analyze its record at preventing and defeating these hostile activities in comparison to the best available estimates of the magnitude of foreign intelligence operations.

**Performance Measures:** Foreign Counterintelligence Convictions/Pretrial Diversions
**FY 2001 Actual Performance:** 11 Convictions/ Pretrial Diversions
**Discussion of Accomplishments:** The strategies in place regarding the FBI's Foreign Counterintelligence (FCI) Program remain unchanged. The measures reported above represent a portion of the overall success of the program in that the individuals implicated in these actions are prevented from conducting any further intelligence operations against the United States.

**Foreign Counterintelligence Convictions/Pretrial Diversions (FBI)**


**Data Collection and Storage:** The data source is ISRAA, a centralized database whereby the FBI tracks statistical accomplishment of cases from inception to closure.

**Data Validation and Verification:** Before data are entered into the system, they are reviewed and approved by an FBI field manager. They are subsequently verified through the FBI's inspection process. Inspection occurs on a 2 to 3 year cycle. Using statistical sampling methods, data in ISRAA is traced back to source documents contained in FBI files.

**Data Limitations:** None known at this time.

## STRATEGIC GOAL TWO:

**Prevent and Reduce Crime and Violence by Assisting State, Tribal, Local and Community-Based Programs** ***22.8% of the Department's Net Costs support this Goal.***

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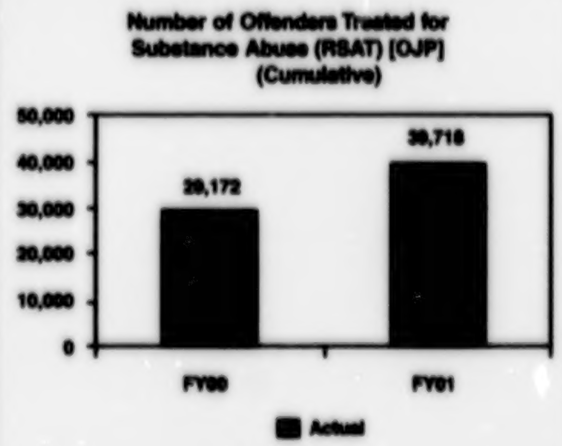
[redacted]

**Background/Program Objectives:**
The drug court movement began as a community response to reduce crime and substance abuse among criminal justice offenders. Today, drug courts are successfully employing the coercive power of the judicial system to subject non-violent offenders to an integrated mix of treatment, drug testing, incentives, and sanctions to break the cycle of substance abuse and crime. OJP provides financial, technical, and training assistance to states, state drug courts, units of local government, local courts, and tribal governments to develop and implement drug treatment courts. In FY 2001, 49 new drug courts were funded. The drug court program administers a four-step strategy that provides a mix of programmatic guidance and leadership to communities interested in drug courts in order to build capacity at the state and local level. The four steps include: funding to implement or enhance a drug court; training and technical assistance; supporting the evaluation of drug courts to demonstrate effectiveness; and partnering with the drug court field to integrate the drug court movement into the mainstream court system.




**Data Collection and Storage:** Data are obtained from reports submitted by grantees, telephone contact, and onsite monitoring of grantees' performance by grant program managers. Additionally, the OJP Drug Court Clearinghouse and Technical Assistance Project, a collaborative effort with American University, provides data to measure performance.

**Data Validation and Verification:** Data will be validated and verified through a review of the data by Drug Courts and RSAT Program Office program monitors surveying grantees and reviewing data.

**Data Limitations:** For a percent of drug court participants not committing crimes, this is self reported and data are not verified through evaluative measures.

**Performance Measure:** Number of Offenders Treated for Substance Abuse (RSAT)
**FY 2001 Actual Performance:** 10,546 offenders treated in FY 2001, for a cumulative total of 39,718 since the beginning of FY 1998.
**Discussion of Accomplishments:** The Residential Substance Abuse Treatment (RSAT) for the State Prisoners Program is a formula grant program assisting states and units of local government. These programs are administered within state and local correctional and detention facilities where prisoners are incarcerated for a period of time sufficient to permit substance abuse treatment (approximately 6 to 12 months). Due to overlapping start/end dates, not all offenders entering the program in FY 2001 have completed treatment. However, at the end of FY 2001, 10,546 offenders either completed

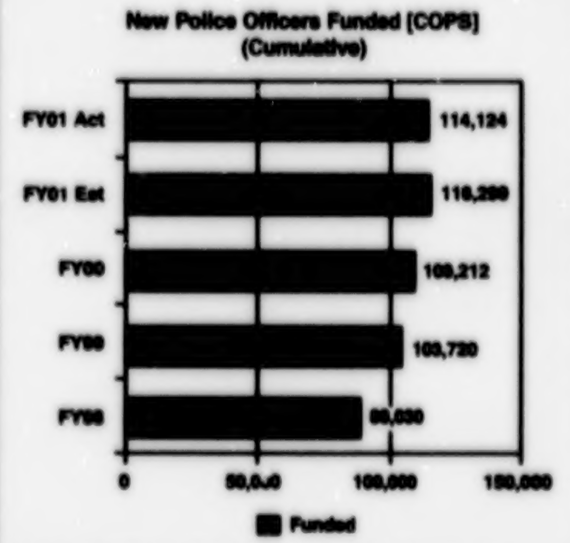
treatment, or began treatment during FY 2001 and are on track to complete the treatment during FY 2002.

[redacted]

**Background/Program Objectives:** As crime and the fear of crime rose in the 1970s and 1980s, it became apparent that the traditional law enforcement response was not effective. Police found themselves reacting to crime, rather than preventing it, and communities felt law enforcement was unresponsive to their concerns. A few cities began experimenting with community involvement in solving problems and addressing the conditions that lead to crime. They found it surprisingly effective. As the practice grew and developed, it came to be known as community policing.

The COPS Office has three primary objectives: reduce the fear of crime; increase community trust in law enforcement; and contribute to the reduction in locally-identified, targeted crime and disorder. Community policing rests on three primary principles: 1) a continuous community-law enforcement partnership to address issues in the community; 2) a problem-solving approach to the causes of crime; and 3) a sustained organizational change in the law enforcement agency that decentralizes command and empowers front-line officers to build partnerships in the community and address crime using innovative problem-solving techniques.

The COPS Office awards grants based on a jurisdiction's public safety needs and its ability to sustain the financial commitment to deploy additional community policing officers beyond the life of the grant. The number of officers that are ultimately deployed can either increase or decrease from the initial award estimate based on many factors including: the success of a jurisdictions' officer recruitment efforts; the actual availability of local matching funds (which could vary from initial estimates based on funding appropriated by local governments); and the number of officers that successfully complete academy training.




**Data Collection and Storage:** The COPS Management system tracks all individual grants. The COPS Count Survey collects data from police agencies on the number of COPS funded officers on the street.

**Data Validation and Verification:** Data review is conducted as part of the grants management function.

**Data Limitations:** None known at this time.

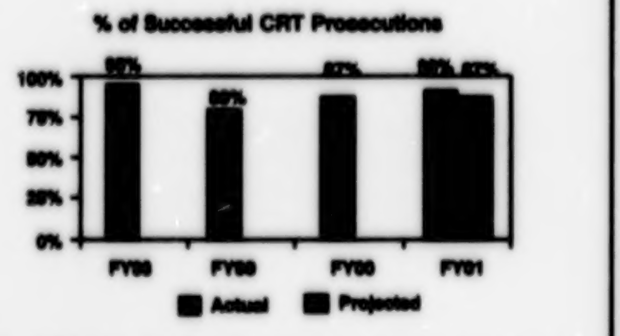
**Performance Measure:** New Police Officers Funded

**FY 2001 Actual Performance:** 114,124 new officers funded (cumulative); 6,543 new officers funded in FY 2001. NOTE: The number of new police officers funded in FY 2001 represents officers funded with funding appropriated in FY 2001. The cumulative figures account for

withdrawals, modifications, and terminations that have occurred over the past 7 years and represent the number of additional officers funded for American law enforcement since 1995.
**Discussion of Accomplishments:** By the end of FY 2001, the COPS Office had funded 114,124 additional officers over 7 years. In FY 2001, law enforcement agencies hired additional officers through COPS programs, including the Universal Hiring Program (UHP), COPS In Schools (CIS), Tribal Resources Grant Program (TRGP), and Making Officer Redeployment Effective (MORE). COPS funds were used to pay the salaries and benefits of new officers practicing community policing under UHP, and TRGP and School Resources Officers through CIS. The MORE program provided funds to law enforcement agencies to purchase technology that will allow their officers to spend more time fighting crime and less time performing administrative tasks. The technology funded in FY 2001 included: mobile data computers/laptops, mobile data terminals, crime analysis hardware or software, personal computers, automated booking systems, automated fingerprint identification systems, computer aided dispatch systems, record management systems, and video arraignment equipment. In addition, the COPS Office conducted specialized training for MORE grantees to address various issues surrounding mobile computing, procurement of technology systems, strategic planning, and system implementation.

## STRATEGIC GOAL THREE: Protect the Rights and Interests of the American People by Enforcement of Federal Laws, Legal Representation, and Defense of U.S. Interests *7.2% of the Department's Net Costs support this Goal.*

**Background/Program Objectives:** The Department's Civil Rights Division works with the FBI and the USAs to prosecute cases of national significance involving the deprivations of Constitutional liberties which cannot be, or are not, sufficiently addressed by state or local authorities. These include acts of bias-motivated violence; misconduct by local and federal law enforcement officials; violations of the peonage and involuntary servitude statutes that protect migrant workers and others held in bondage; criminal provisions which prohibit conduct intended to injure, intimidate, or interfere with persons seeking to obtain or to provide reproductive health services; as well as a law which proscribes interference with persons in the exercise of their religious beliefs and the destruction of religious property. The federal criminal civil rights statutes provide for prosecutions of conspiracies to interfere with federally protected rights, deprivation


**Data Collection and Storage:** Data are obtained from the case management system and manual records in the CRT.

**Data Validation and Verification:** Although the CRT currently maintains a large amount of case-related data manually, at each reporting interval the data are verified by the managers in the Division's Criminal Section and at the Division level.

**Data Limitations:** None known at this time.

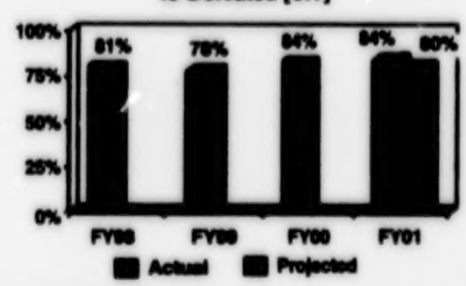
of rights under color of the law, and the use of threat or force to injure or intimidate persons in their enjoyment of specific rights.

**Performance Measure:** Criminal Civil Rights Defendants Charged/% Successful CRT Prosecutions
**FY 2001 Actual Performance:** During the year, 93 cases were filed charging 189 defendants, including 97 law enforcement officers. In addition, the average overall success rate was 100% in non-law enforcement prosecutions and 80% in color of law cases for an average success rate of nearly 90%.

**Discussion of Accomplishments:** FY 2001 marked a record number of cases filed and defendants charged. Of the 189 defendants charged, 97 law enforcement officers, including police officers, deputy sheriffs and state and federal prison correctional officials were charged with having used their positions to deprive individuals of constitutional rights, such as the right to be free from unwarranted assaults and illegal arrests and searches.

**Background/Program Objectives:** The Department defends the public Treasury in lawsuits alleging unwarranted monetary claims. Plaintiffs advancing contract claims, allegations of government misconduct, claims of patent infringement and the like, expose the government to potentially staggering losses. The Department consistently mounts strong defenses against unfounded or exaggerated claims to ensure that only those claims with merit under the law are paid. Favorable resolutions in defensive cases prevent the Treasury from incurring massive losses and preserve funds to support the counterterrorism fight, military objectives, economic stimulus efforts, or other top initiatives.

**% of Defensive Civil Monetary Cases Resolved where 85% or more of the Claim is Defeated [CIV]**




**Data Collection and Storage:** The primary source of data collection for measurement within the Civil Division is the automated case management system (CASES).

**Data Validation and Verification:** Contractor staff regularly review case listings and interview attorneys concerning the status of each case. Exception reports are generated and reviewed. Attorney managers review numerous monthly reports for data completeness and accuracy. The contractor executes a comprehensive quality control plan in which representative samples of data are verified. Another independent contractor verifies aspects of the work of the case management contractor.

**Data Limitations:** Incomplete data can cause the system to under-report case closures and attorney time. Missing data is most often retrieved as a result of the contractor interviews and the review of monthly reports. To minimize the extent of missing data, CIV made adherence to the reporting requirements of CASES a performance element in all attorney work plans.

**Performance Measure:** % of Defensive Civil Monetary Cases Resolved Where 85% or More of the Claim is Defeated
**FY 2001 Actual Performance:** In FY 2001, 85% or more of the claim was defeated in 84% of Defensive Civil Monetary Cases.
**Discussion of Accomplishments:** For the second straight year, the Civil Division exceeded its 80% goal. This accomplishment understates the Civil Division's impact because it does not reflect the consequences of the Division's successful defense of limiting provisions in entitlement programs. Court challenges to such limitations affect billions of dollars of public funds annually.

Two major cases exemplify the importance of these efforts on behalf of taxpayers. The Civil Division secured a key victory in the 10-year dispute over the termination of the "A-12" stealth fighter aircraft program. In 1999, an appellate court overturned an earlier $1.2 billion award to the contractors and remanded the case to trial. In August 2001, the trial court held that the contract had been properly terminated for default. If the decision is affirmed on appeal, the government will receive $1.3 billion in unliquidated progress payments plus interest (for a total in excess of $2 billion).

Triggered by legislation to address the 1980's savings and loan crisis, the Winstar litigation is composed of nearly 120 separate lawsuits, involving more than 400 financial institutions. The plaintiffs are parties associated with the savings and loan industry. Plaintiffs' claims are over $30 billion; although overstated, if undefended these claims would pose a material threat to the U.S. Treasury (Treasury). The Civil Division has defended the government vigorously: Through FY 2001, $88 million has been awarded out of more than $7.7 billion sought. The Federal Circuit vacated the $909 million restitution award in Glendale, remanding for calculation of actual costs resulting from the breach. Six favorable settlements also have been reached, resulting in a total of $104 million for the plaintiffs – a fraction of the $1.5 billion in damages claimed.

## STRATEGIC GOAL FOUR:

**Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States** ***11.5% of the Department's Net Costs support this Goal.***

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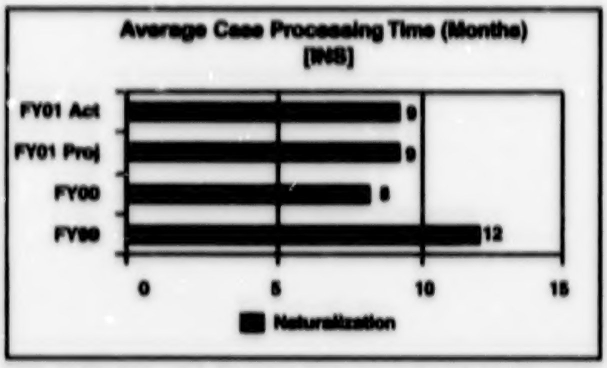
**Background/Program Objectives:**
The INS is committed to building and maintaining an immigration services system that provides immigration information and benefits in a timely, accurate, consistent, courteous, and professional manner. A key element of this commitment is to eliminate the backlog of naturalization applications while maintaining the quality of these adjudications. In FY 2001, the INS set a 6-9 month processing time target and an 800,000 completions target for Naturalization applications (N-400s), while raising its targets for completion of Adjustment of Status (I-485) and other cases, while maintaining a 99% level of compliance with the Naturalization Quality Procedures. As a result of continual improvements in the processing mechanisms, as well as staff performance and realignment, the INS is improving efficiency of service as well as timeliness of adjudication of applications to its customers.

**Performance Measure:** Average Case Processing Time – Naturalization. NOTE: This measure is calculated by dividing the average of the past 12 months of completions into the number of pending applications at the end of September.
**FY 2001 Actual Performance:** 9 months
**Discussion of Accomplishments:** In FY 2001, a total of 831,486 Naturalization applications cases was completed (104% of target) and a 9-month processing time was met while again maintaining a 99% quality processing rate. Overall, in FY 2001 the INS completed 556,890 more applications of all types than in FY 2000. The INS ended FY 2001 with 586,850 N-400 applications pending (September 2001 Performance Analysis System data), a 28% decrease compared to FY 2000, and the lowest pending total since Sept. 1995.




**Data Collection and Storage:** Data are collected locally under manual counts and reported monthly through the automated Performance Analysis System (PAS) database, and some counts are provided from various automated systems supporting casework (e.g. Computer Linked Application Information Management Systems (CLAIMS 3 and CLAIMS 4), and the Re-engineered Naturalization Application Casework System (RNACS).

**Data Validation and Verification:** A Data Integrity Team (DIT) monitors, assesses and verifies N-400 data. The DIT reviews monthly submissions of N-400 data that INS Service Centers, District Offices and Sub-Offices enter into PAS. In coordination with the nationwide PAS management office at Headquarters, actions are taken by the DIT to reconcile and adjust counts as necessary, and action is taken with field components to adjust practices and procedures to prevent future errors. Beginning with FY 2000, at the close of each fiscal year INS performs, via independent auditors, a comprehensive audit of designated "pending" applications, including N-400s. This end-year count of actual pending N-400s is used to adjust the September number used for end-year closeout in the PAS.

**Data Limitations:** In FY 2001, N-400 Naturalization case capability was fully deployed under CLAIMS4. Additional customer-based types will be addressed in follow-on efforts. This will allow data to be fully automated, timely, and accurate.

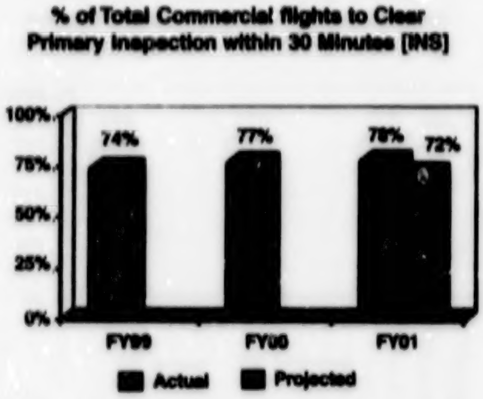
[illegible]

**Background/Program Objectives:**
Legal entry of individuals into the United States is through designated air, land and sea ports-of-entry (POEs). Screening or inspecting individuals for entry, with or without goods subject to U.S. Custom laws, involves ensuring that legal, secure entry occurs expeditiously. Managing the dual concern of secure entry and expediting the legitimate travel of individuals involves using management standards and practices that maximize both security and expeditious entry. To this end, the INS uses processing time standards and targets to manage inspections activity. At air POEs, the INS must provide primary inspection of all passengers on a given flight within a 45-minute primary inspection limit established by law. In addition, the INS, in accord with federal objectives to increase service to the traveling public, identified a 30-minute primary inspection target to be attained, where possible, while maintaining secure entry.

**Performance Measure:** % of Commercial Air Flights to Clear Primary Inspection in 30 Minutes or Less NOTE: The time to clear primary inspection for a flight is measured from the time the initial travelers present themselves for inspection at the POE primary inspection line/area to the time the last traveler on that flight is either approved for entry or forwarded to a secondary inspection point for more in-depth inspection.

**FY 2001 Actual Performance:** 78%

**Discussion of Accomplishments:** At air POEs, the INS inspected more than 67.6 million passengers in FY 2000, an increase over FY 1999, and cleared 77% of all commercial flights within 30 minutes or less, up from 74% in FY 1999. In FY 2001, the INS inspected more than 67.2 million passengers, a .5% decrease from FY 2000, and cleared 78% of all commercial flights within 30 minutes or less. Threat Level One operations, in place since September 11, 2001, adversely affected fourth quarter and annualized results.




**Data Collection and Storage:** Individual POEs collect flight-processing information with the arrival of each aircraft and information from travelers and airlines and report aggregated information on flights on a monthly basis into the Performance Analysis System. The inspection time for the last traveler is captured in the Interagency Border Inspection System used by INS and Customs.

**Data Validation and Verification:** In addition to outside scrutiny, reported processing times are reviewed by district and regional office staff above each POE and by the Headquarters Inspections Program, at a minimum on a monthly basis and whenever external sources report problems. At the individual POEs, review of flight processing data occurs continuously on daily, weekly and monthly by POE supervisory and technical staff. Time measurement data provided by airlines is recorded in automated systems and subject to quality reviews.

**Data Limitations:** None known at this time.

**Background/Program Objectives:**

A key element of the INS's enforcement mission is to remove illegal aliens from the United States. The INS is legally required to remove aliens who have received formal removal orders or who have volunteered to be repatriated. A fundamental part of this mission is to ensure the removal of the criminal element in the alien population. Focusing on the criminal alien removals enhances the promotion of public safety and provides crosscutting support to Strategic Goal One: "Keeping America Safe by Enforcing Federal Criminal Laws."

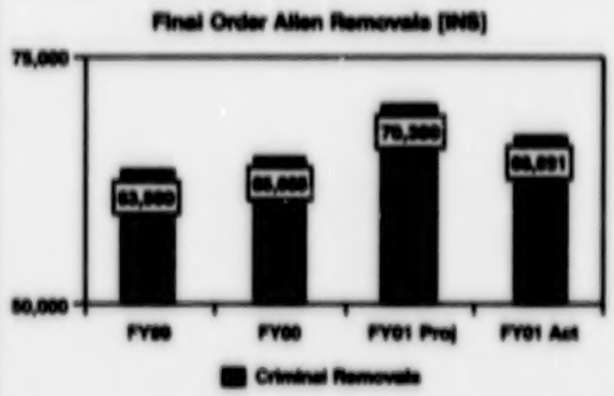
The INS is adopting new policies and procedures to improve the effectiveness of the Institutional Removal Program (IRP), a program designed to identify and remove criminal aliens by means of administrative or hearing processes before their release from custody.

**Performance Measure:** Final Order Criminal Alien Removals NOTE: Prior year actuals have been updated to reflect the most current and accurate data available.

**FY 2001 Actual Performance:** 66,931

**Discussion of Accomplishments:** The recent trend in criminal removals for the INS has been one of continuous increases. There was a 14.4% increase in FY 1999, a 2.3% increase in FY 2000 and 3.0% increase in FY 2001. The terrorist events of September 11, 2001, appear to have resulted in a sharp drop in removals for the remainder of the last month of FY 2001 (approximately 24% lower removals in comparison with the number for September in FY 2000). This drop in removals may be attributable to problems in arranging for and effecting transport of those individuals out of the United States.

As in FY 2000, much of the success achieved in FY 2001 was due to the removal of nearly 30,000 aliens through the IRP. The IRP is enabling the INS to identify and process aliens prior to their release from federal, state and local penal institutions, allowing for almost immediate removal with little or no detention cost to the INS. Additionally, the INS has worked with the EOIR to reduce the time required to receive court removal orders to allow removal action. To effect the actual removals more timely, the INS has also made significant progress in obtaining agreements/improving cooperation with foreign countries on accepting repatriations of criminals back to their home country (e.g., with Cambodia, Vietnam, and Laos).




**Data Collection and Storage:** Data are captured in the Deportable Alien Control System (DACS), an automated case tracking system covering individuals undergoing enforcement action by the INS. .Data are input from physical alien files and DACS is updated throughout the life cycle of the case.

**Data Validation and Verification:** Input of DACS data for removals is complete to the 99 percent level within 6 months after the close of the fiscal year. The Detention and Removal (D&R) program office and the Statistics Division staff conduct continuous review and monthly reconciliation. Based on these review activities, these offices issue guidance and error alerts, and initiate special reviews of data, as circumstances require.

**Data Limitations:** DACS removals records are complete, with 99 percent of total removals records entered within 6 months of the close of the fiscal year. A small but significant number of detention records (approximately 7 percent of over one hundred thousand records) are incomplete. DACS is an older INS system with limits on its capabilities and is scheduled for replacement with the ENFORCE Removals Module (EREM). Deployment testing is planned in FY 2003.

## STRATEGIC GOAL FIVE:

**Protect American Society by Providing for the Safe, Secure, and Humane Confinement of Persons in Federal Custody** ***28.1% of the Department's Net Costs support this Goal.***

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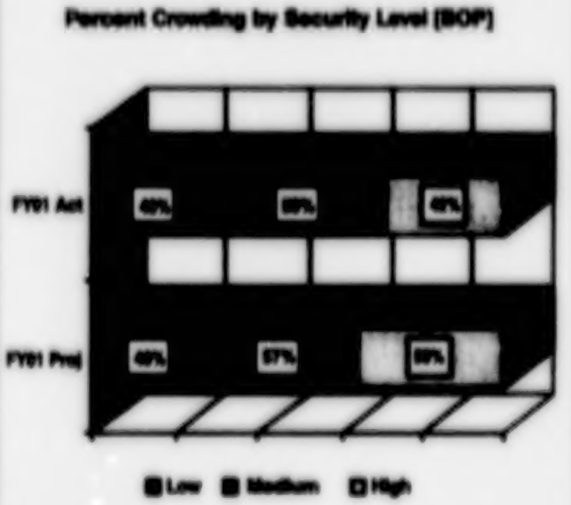
[redacted]

**Background/Program Objectives:**
BOP facilities are crowded above rated capacity systemwide and there does not seem to be relief in the near future due to the burgeoning inmate population. While state and local incarceration growth rates have declined in recent years, BOP has experienced record growth. Given increased resources for law enforcement and prosecutorial agencies, and stronger emphasis on prosecution of gun related crimes, federal inmate growth promises to continue into the future.

BOP constantly monitors facility capacity, population growth, and prisoner crowding. As federal inmate population levels are projected to increase and continue to exceed the capacity of BOP, every possible action is being taken to protect the community, while keeping institutional crowding at manageable proportions to ensure that federal inmates continue to serve their sentences in a safe and humane environment.




**Data Collection and Storage:** Data is gathered from several computer systems. Inmate data is collected on the BOP on-line system (SENTRY); personnel data is collected from the National Finance Center (NFC) database, Human Resource Management Information System (HRMIS), and from field locations reporting on a regular basis; and financial data is collected on the Financial Management Information System (FMIS). BOP also utilizes population forecast modeling in order to plan for future construction and contracting requirements to meet capacity needs.

**Data Validation and Verification:** Within BOP headquarters, staff in different divisions retrieve and verify data on a daily basis, analyze it, and formulate reports and projections.

**Data Limitations:** Due to the unpredictable environment in prisons and other external factors, there may often be discrepancies between projected and actual numbers contained in the performance graphs. Most plans are developed based on historical data, past experience, and joint agency efforts to project for the future.

**Performance Measure:** % Crowding by Security Level

**F. 2001 Actual Performance:**

| | |
|---|---|
| Low security | 40% |
| Medium security | 59% |
| High security | 42% |

**Discussion of Accomplishments:** The BOP activated the following facilities during FY 2001: Honolulu, HI Federal Detention Center; Atwater, CA, Work Camp; Coleman, FL, U.S. Penitentiary; and the Pollock, LA, U.S. Penitentiary. Crowding at high security facilities was lowered somewhat by activating the two U.S. Penitentiaries noted above, and entering into Intergovernmental Agreements with the State of Virginia to house high security District of Columbia sentenced felons.

## STRATEGIC GOAL SIX:

**Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure It Operates Effectively** ***2.2% of the Department's Net Costs support this Goal.***

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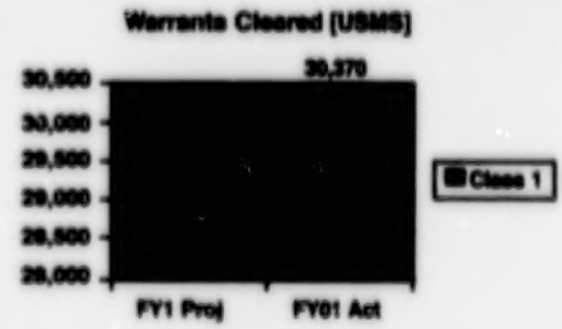
[illegible]

**Background/Program Objectives:**
The USMS has primary jurisdiction for conducting investigations to locate and apprehend escaped federal prisoners; probation, parole, supervised release, and bond default violators; bench warrants; fugitives wanted by agencies without arrest authority; and fugitives indicted in DEA investigations. The USMS is the primary agency responsible for locating, apprehending, and extraditing U.S. fugitives that have fled to foreign countries and foreign fugitives that have fled to the United States.

Although the USMS is very successful at apprehending fugitives, sometimes a fugitive is not caught immediately. This results in a warrant backlog. Often this is the result of a lack of unique identifying information. If a prisoner fails to appear for a court case and becomes a fugitive, there is frequently not a significant source of investigative information available. Investigating fugitives that were indicted but never arrested is another challenge for the USMS, as the information on the offender may be incomplete. Additionally, if an offender escapes to another country, assistance from the foreign country can be limited.




**Data Collection and Storage:** Data is maintained in the Warrant Information Network system (WIN). WIN data is entered by USMS Criminal Investigators. Upon receiving a warrant, the USMS Criminal Investigators access the National Crime Information Center (NCIC) through WIN to look for previous criminal information. WIN data is stored centrally at USMS headquarters, is accessible to all 94 districts, and is updated as new information is collected.

**Data Validation and Verification:** Data is verified by a random sampling of NCIC records generated by the FBI. ISD coordinates with district offices to verify that warrants are validated against the signed paper records. ISD then forwards the validated records back to NCIC.

**Data Limitations:** None known at this time.

**Performance Measure:** Warrants Cleared
**FY 2001 Actual Performance:** 30,370 Class I Warrants cleared
**Discussion of Accomplishments:** The USMS directed its investigative efforts to reduce violent crime, including organized crime and drug and gang-related violence. During FY 2001, the USMS received 32,072 Class 1 warrants, and cleared 30,370 of them. The warrants cleared included apprehension of seven of the USMS 15 Most Wanted Fugitives.

## STRATEGIC GOAL SEVEN:

**Ensure Professionalism, Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs** ***0.9% of the Department's Net Costs support this Goal.***

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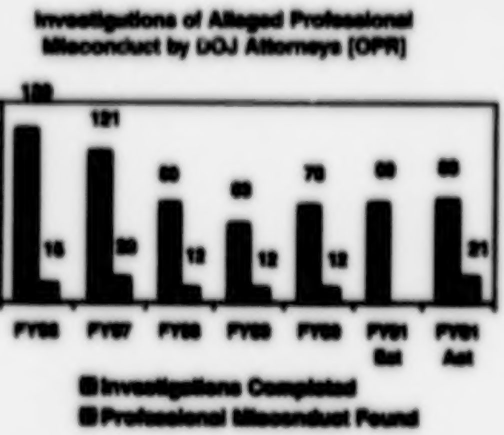
[redacted]

**Background/Program Objectives:** The Department through its Office of Professional Responsibility (OPR) ensures that Department attorneys meet and maintain the high ethical standards expected of the nation's principal law enforcement agency. Specifically, OPR reviews and investigates allegations of misconduct by Department attorneys that relate to the exercise of their authority to investigate, litigate, or provide legal advice. Through the performance of OPR, the Department seeks to ensure that Department attorneys comply with obligations to standards imposed by law, applicable rules of professional conduct, or Department regulations or policy, and that instances of failure to comply with those standards are identified and appropriately disciplined.

**Performance Measure:** Investigations of Alleged Professional Misconduct by Department Attorneys
**FY 2001 Actual Performance:** 83 completed investigations; 21 findings of professional misconduct
**Discussion of Accomplishments:** OPR exceeded its goal by closing out 83 investigations this fiscal year. The number of cases that resulted in findings of professional misconduct increased significantly over the previous years. OPR is currently in the process of evaluating this data to identify any trends that warrant corrective training or other action to ensure that the Department maintains the highest professional standards.

OPR worked with the EOIR to produce an ethics manual for immigration judges, members of the Board of Immigration Appeals and administrative law judges. OPR continues to participate in a variety of Department training exercises designed to increase awareness of professional obligations and standards and to address training issues identified in the course of OPR investigative activities.




**Data Collection and Storage:** OPR uses the Bibliographic Retrieval System database system to preserve information on allegations received, matters in which inquiries or full investigations are conducted. Initial data is entered by OPR management analysts based on their analysis of incoming matters. Entries regarding OPR's findings and conclusions in a matter are made based on information provided by OPR attorneys assigned to the matter.

**Data Validation and Verification:** The data in the table were verified by senior OPR attorneys and were reported in OPR's Annual Report to the Attorney General for the years indicated.

**Data Limitations:** None known at this time.

## ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The Federal Managers' Financial Integrity Act (Integrity Act) requires federal agencies to conduct on-going evaluations of the adequacy of the systems of internal accounting and administrative control, and to report yearly to the President all material weaknesses and nonconformances found through these evaluations. The Integrity Act also requires the heads of agencies to provide the President with yearly assurance that obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets.

### Management Controls Program in the Department of Justice

The Department is committed to using its financial resources properly and ensuring that its financial operations are both secure and efficient. Managers must conform to specific management accountability and improvement policies when designing, planning, organizing, and carrying out their responsibilities in order to ensure the most efficient and effective operation of their programs. Briefly, these policies address written guidance, delegation of authority and responsibility, hierarchical reporting of emerging management problems, personal integrity, quality data, separation of key duties and responsibilities, periodic comparisons of actual with recorded accountability of resources, routine assessment of programs with a high potential for risk, systematic review strategy to assess the effectiveness of program operations, and prompt management actions to correct significant problems or improve operations.

Annually, Department components must review their financial operations, systems, and controls, and report significant results to the Attorney General. At the same time, the heads of components must assure the Attorney General that their management systems incorporate at least the minimum control standards described in Department guidance. In addition, any inspection, audit, evaluation, peer or program review process, self-assessment, or equivalent, used by component management to keep informed about needs and opportunities for improvement must incorporate these same standards into its methodology. Management accountability systems in all organizations must assure basic compliance with the objectives of the Integrity Act and the management control standards set by the General Accounting Office (GAO).

**Integrity Act Material Weaknesses and Nonconformances Reported to the President for FY 2001**

**Summary of Status of Weaknesses**

| | FIRST REPORTED | LAST TARGET | CURRENT TARGET |
|---|---|---|---|
| **Material Weaknesses** | | | |
| Prison Crowding (BOP) | 1985 | ongoing | ongoing |
| Detention Space and Infrastructure (USMS, INS) | 1989 | 2002 | 2004 |
| Computer Security (DOJ) | 1991 | 2001 | 2003 |
| Monitoring of Alien Overstays (INS) | 1997 | 2000 | 2002 |
| Organizational and Management Issues (INS) | 1997 | 2001 | 2002 |
| Management of Automation Programs (INS) | 1997 | 2001 | 2002 |
| Efforts to Identify and Remove Criminal Aliens (INS) | 1997 | 2001 | 2003 |
| Alien Smuggling (INS) | 2000 | 2003 | 2003 |
| *Delivery Bonds (INS)* | *1990* | *2000* | ***CLOSED*** |
| *Management of Property (INS)* | *2000* | *TBD* | ***CLOSED*** |
| **Material Nonconformances** | | | |
| DOJ Financial Systems Compliance | 2001 - *new* | 2002 | 2002 |
| INS Deferred Revenue | 2001 - *new* | TBD | |
| FPI Adherence to Accounting Standards and Financial Management System Requirements *(previously Financial Management)* | 2000 | 2001 | 2002 |
| DEA Adherence to Accounting Standards and Financial Management System Requirements *(previously Financial Management)* | 2000 | 2001 | 2003 |
| *INS Financial Management* | *1997* | *2003* | ***CLOSED*** |
| *USMS Financial Management* | *2000* | *2001* | ***CLOSED*** |

See Appendix G for Corrective Action Reports for all material weaknesses and nonconformances reported by the Department for FY 2001.

***Financial Systems***: The Department of Justice components are supported by seven different financial management systems. Five of those seven systems (FBI, INS, DEA, USMS, and FPI) are not compliant with certain accounting system standards and security requirements cited in the Federal Financial Management Improvement Act (FFMIA). Further, in three of those five systems (FBI, INS, and USMS), it is likely that ultimate compliance with federal systems standards will require replacement of legacy accounting systems with a more modern core financial system approved by the Joint Financial Management Improvement Program (JFMIP).

Accordingly, while the Department can provide reasonable assurance that its financial systems, taken as a whole, meet the systems objectives in Section 4 of the Integrity Act, this year the Department reported a separate material nonconformance specifically on financial systems compliance in its Section 4 certification.

***Unified Financial Management System Project***: To focus resources on the material nonconformance on financial systems compliance, the Attorney General, through the Department's Strategic Management Council, has included improvements in financial systems and performance as one of the Department's goals. Because the ability to improve the Department's financial management is directly related to the capacity to rely on core systems, in FY 2001, the CFO announced a plan to acquire a new Departmentwide core financial system. Known as the Unified Financial Management System Project, the Department has submitted plans to the OMB indicating that the Department will be acquiring a JFMIP certified commercial off-the-shelf (COTS) core accounting system(s) for phased implementation by all Department components. The project will be a major multi-year effort, with implementation beginning with the components currently operating non-compliant systems. Remaining components will move to the new core system as current compliant systems mature through their normal replacement life cycle or as required to keep current with accounting and systems standards. Significant work to identify a system boundary document and acquire systems integration support began in late FY 2001, with those initial tasks scheduled for completion by FY 2002.

***Financial Controls***: The Department's Integrity Act Section 4 certification reported three financial management material nonconformances related to general internal controls and adherence to accounting standards. Nonconformances included findings related to the INS's accounting for deferred revenue and FPI's controls over inventory reporting and accounts receivable. FPI auditors also reported that FPI did not fully comply with the Debt Collection Improvement Act of 1996. Additionally, DEA reported a material nonconformance resulting from issues with certain asset accounting, cash reconciliation, accrual verification, fee accounting, and systems issues. The USMS corrected its past weaknesses in its Treasury reconciliation process, enabling removal of the FY 2000 nonconformance on that issue. In addition to the control issues reported as Integrity Act nonconformances, the FBI auditors reported internal control weaknesses in accounting for property, financial statement preparation, and recording accruals.

***Corrective Actions***: Each Department component has developed corrective action plans designed to eliminate its Integrity Act material nonconformances and the internal control weaknesses reported in the financial audits. These plans are reviewed by the CFO, and are subject to the CFO's direction and guidance. As noted above, at least three components have weaknesses that stem directly from outdated financial systems, and these weaknesses are likely to exist until the Unified Financial Management System Project provides those components with new core systems. For the short term, the major focus of the Department's FY 2002 corrective action process will be to eliminate component procedural weaknesses in business practices and financial operations, and the Attorney General's financial management improvement goal clearly articulates this expectation.

***Accomplishments***: Despite significant challenges, Department components continue to make improvements to their financial operations and controls. OJP made strides in offering a fully automated and paperless grant management system to its customers, and already a portion of the OJP grant activity is awarded in this new manner. In the Financial Management Information System 2 (FMIS2), the core accounting system supporting the statements of the OBDs, BOP, Assets Forfeiture Fund, and the WCF, a new reporting and access portal modeled after the JFMIP core systems structure was put into production, and the business continuity plans were upgraded this past year. BOP continued its extensive program review activities, with 25 separate and independent reviews performed at field sites and headquarters during FY 2001. Additionally, BOP's headquarters finance branch performed financial audit quality assurance reviews at 11 different field sites in preparation for the FY 2001 audits. The FBI derived significant benefit this year from its use of its personnel funding and planning model, enabling more precise forecasting of its resource needs.

**Integrity Act Section 2 – Material Weaknesses**

Prison Crowding. As of September 30, 2001, BOP's systemwide crowding rate was 32 percent over rated capacity, and likely will continue as a material weakness. This rate reflects the cumulative average for all security levels, including minimum, low, medium, and high security, as well as administrative and other special population housing. The most crucial crowding is at the medium and high security level facilities, which house some of the most dangerous and predatory inmates. BOP relies on funding for contract beds and to build and acquire additional facilities to help it manage its growing inmate population and reduce the crowding rate. As of September 30, 2001, BOP's institution-based population was 130,327 – 4,767 more inmates than were housed at the end of FY 2000. The total BOP population (including contract facilities) increased by 11,447 during FY 2001. The Department projects continued growth in the prison population, which should reach 196,535 by September 30, 2006. Through new facilities construction and expansion projects at existing institutions, the Department's Long Range Capacity Plan projects a rated capacity of 127,185 beds by September 30, 2006, at which time crowding is projected to be 31 percent over rated capacity. These projections were revised during FY 2002 based on analysis of data provided by the Administrative Office of the U.S. Courts.

Detention Space and Infrastructure. The Department's need for detention space continues to grow rapidly and likely will increase in the wake of the September 11 terrorist attacks, as the Department uses all means available to combat and prevent terrorism. This growth has placed an increased demand on the infrastructure of the INS and the USMS as it pertains to detention, including transportation, communications, buildings, equipment, and staff. To obtain sufficient detention space, the Department relies upon outside contractors (including state and local governments and private entities) to supplement existing federal detention space. In FY 2001, the Department established a Federal Detention Trustee with broad responsibilities related to managing detention needs throughout the Department. In FY 2002, the Trustee will conduct a needs assessment of detention and detainee handling requirements and will develop a baseline report for the present efficiency and effectiveness of the aspects of detention and detainee handling. In the FY 2003 budget, both INS and USMS resources related to the detention

function are consolidated within the Office of the Detention Trustee. This will centralize the majority of the Department's detention activities, allowing for a coordinated Department effort when obtaining detention space and ensuring the Trustee has the authority necessary to direct detention policy and manage detention resources.

Computer Security. Designated a material weakness since 1991, computer security continues to be a major focus of senior management attention. During the past 12 months, the Department has taken a number of actions that not only reflect the commitment of present management to correcting past deficiencies, but also establish a solid foundation for sustained future progress. In particular, the Department began an information technology (IT) strategic planning effort that will, in part, establish the foundation for a departmental security architecture; issued a new IT security policy that sets strong standards for component security programs and system security controls; continued its aggressive program of penetration tests and independent assessments and follow-up; certified and accredited 83 percent of Department systems; established a database that will assist in tracking and remedying security weaknesses system by system; integrated security with its capital planning and investment controls processes; and identified a list of critical IT, personnel, and physical assets that support the Department's critical infrastructure, completed the critical infrastructure planning vulnerability analysis, and currently is finalizing the remedial plan for corrective action.

Monitoring of Alien Overstays. Foreign visitors who legally enter the United States and then do not leave comprise a significant percentage of the illegal alien population. In a 1997 inspection report, the OIG found that the INS had insufficient systems to compile information on the overstay population and lacked an enforcement policy that targeted that population. Currently, the INS is developing an integrated system that will capture arrival and departure information at air, sea, and land ports-of-entry. The Arrival/Departure Information System (ADIS) will be used as the repository for the information. The INS is currently evaluating systems to serve as the collection platform for ADIS at the land ports-of-entry. Once ADIS is fully operational, the INS will provide the Department of State with access.

Organizational and Management Issues. In 1997, GAO found that the INS needed to take steps to resolve management problems, including clarifying lines of communication and disseminating organizational policies and guidelines through manuals. Since then, the INS has evaluated roles and responsibilities of organizational entities and reassigned duties where necessary; provided written guidance on appropriate relationships, communication methods, and coordination among the INS programs and offices; reviewed staff levels; issued comprehensive policy manuals; and reviewed the new deployment planning process. However, conversion of documentation from older formats into the new field manual format has been slower than anticipated, and updating "completed manuals" involves more resources than anticipated. Nevertheless, based on progress to date, the INS plans to release all operations field manuals by 2003.

Management of Automation Programs. The INS's Office of Information Resources Management (IRM) has experienced longstanding difficulty in providing timely and consistent information about its activities, and has been cited by the OIG for the lack of adequate management controls and repeatable business processes to efficiently and effectively manage IT.

In FY 2001, the INS provided its response to the OIG audit. The INS presented its current approach to tracking IT projects through the use of quad charts and quarterly project management reviews with the portfolio managers and the Department. In FY 2002, IRM will engage external contractors to review various project management tools and recommend approaches to IRM management. Meanwhile, IRM has initiated a project management training program, which provides critical knowledge on project management principles. The INS is awaiting a formal response from the OIG.

Efforts to Identify and Remove Criminal Aliens. In July 1997, GAO issued a report on the INS Institutional Hearing Program (IHP), noting that the INS: (1) failed to identify many deportable criminal aliens, including aggravated felons, and to initiate IHP proceedings for them before they were released from prison; (2) did not complete the IHP by the time of prison release for the majority of criminal aliens it did identify; and (3) had not realized intended enhancements to the IHP. Since then, the INS Institutional Removal Program (IRP, formerly IHP) has exceeded its removal goals annually. The IRP has focused more attention on up-front processing to ensure that criminal aliens are not released into INS's custody without removal orders, and the INS has created a mechanism to finalize unfinished removal proceedings within 1 day of release from federal, state, or local incarceration. The INS is finalizing the IRP transition plan from Investigation to the Detention and Removal program. In FY 2002, the INS will finalize a reclassification of Immigration Agents and Detention Enforcement Officers into one job series to provide greater authority to more officers to work IRP cases and to lower the attrition rate. Finally, the IRP Criminal Alien Information System (CAIS) has been deployed to all federal sites. The INS is exploring the possibility of deploying CAIS to state IRP programs and/or using functionality already in the INS ENFORCE system to track and manage IRP cases. Eventually, all IRP case management and tracking functions will be incorporated into ENFORCE Apprehension and Removal modules.

Alien Smuggling: Management and Operational Improvements Needed to Address a Growing Problem. Between FY 1997 and FY 1999 the number of apprehended aliens smuggled into the United States increased nearly 80 percent. The INS predicts that the smuggling will continue to increase and that alien smuggling organizations will become more sophisticated, organized, and complex. GAO, in a report dated May 2000 (GGD-00-103), listed the following impediments to the domestic component: 1) a lack of program coordination; 2) the absence of an agencywide automated case tracking and management system; and 3) limited performance measures to assess the effectiveness of the strategy. Additionally, GAO stated that the INS's Intelligence Program had been impeded by a lack of understanding among field staff regarding how to report intelligence information, a lack of staff to perform intelligence functions, and an inefficient and cumbersome process of organizing data that does not allow for rapid retrieval and analysis. As a result, the INS has limited ability to identify targets for enforcement and to help focus its anti-smuggling resources on efforts that would have the greatest impact.

**Integrity Act Section 4 – Material Nonconformances**

Department of Justice Financial Systems Compliance. The Department's audit report on the FY 2000 consolidated financial statements identified the INS, FBI, DEA, USMS, and FPI as not

meeting federal accounting standards or systems requirements, and having material weaknesses in system controls/security. Additional and related issues on the INS, FPI, and DEA are reported separately under the INS, FPI, and DEA financial management nonconformances. The need to address weaknesses cited in the financial statement audits, nonconformances with OMB Circular No. A-127, technological changes, and the need to better support critical financial operations and agency programs contribute to the necessity to modernize the Department's financial systems and improve internal controls. Almost every departmental component needs to either implement a new system or is in the final phases of implementing a new system. The Department plans to implement a unified core financial system. The comprehensive project plan and milestones will be developed during the planning phase, to be completed May 2002. This issue also includes Milestone 3 from the material weakness, <u>INS Financial Management</u>, reported in last year's Integrity Act Report (issued as a stand-alone report, "U.S. Department of Justice Management Controls Report for FY 2000").

<u>INS Deferred Revenue</u>. INS auditors report that systems and management controls used by the INS to process applications for immigration and naturalization benefits do not ensure applications are adequately controlled or provide reliable data on the status of applications. Without adequate control on the status of applications received and completed, the INS is not able to accurately determine deferred and earned revenue without relying on an extensive servicewide manual application count. The INS will develop a plan, with milestones, to implement a system that will report accurate deferred and earned revenue by April 30, 2002. The Department notes that the INS made significant progress in its servicewide inventory process during FY 2001. This issue reflects Milestone 1 from the material weakness, <u>INS Financial Management</u>, reported in last year's Integrity Act Report.

<u>FPI Adherence to Accounting Standards and Financial Management System Requirements</u>. *(Previously "FPI Financial Management.")* The FPI implemented Millennium, a new financial management system, in May 2000. However, the system does not yet meet all the financial management requirements of OMB Circular No. A-127. FPI also has nonconformances in controls over inventories and accounts receivable, and in the financial statement preparation process. During FY 2001, FPI obtained system security certification and accreditation. The FPI will complete modifications to its system to comply with financial management requirements by February 28, 2002. FPI will resolve the other nonconformances by March 15, 2002.

<u>DEA Adherence to Accounting Standards and Financial Management System Requirements</u>. *(Previously "DEA Financial Management.")* DEA has not maintained a system that accurately and completely accounts for property and equipment. DEA also should clear fund balances with the Treasury, properly perform quarterly certifications of open obligations, improve its financial reporting process, charge full cost for Controlled Substance Act Registration Fees, and improve automated security. Solutions include complete conversion of property to the Fixed Asset Subsystem, complete implementation of an automated interface for purchase card data to clear fund balances with the Treasury, and proper certification of open obligations. To improve the financial reporting process, additional written procedures on the process will be developed. DEA will adjust rates for Controlled Substance Act Registration Fees to charge for full cost and

recertify financial system users. The DEA target date for correction of these issues is November 30, 2003.

### Statistical Summary of Performance – FY 2001

**Section 2: Internal Controls**

| Report Year | # of Issues *First Reported* In Year | # of Issues *Corrected* In Year | # of Issues *Pending* at end of Year |
|---|---|---|---|
| Prior Years | 53 | 37 | 16 |
| 1999 | 0 | 8 | 8 |
| 2000 | 2 | 0 | 10 |
| 2001 | 0 | 2 | 8 |
| Total | 55 | 47 | 8 |

**Section 4: Financial Management Systems**

| Report Year | # of Issues *First Reported* In Year | # of Issues *Corrected* In Year | # of Issues *Pending* at end of Year |
|---|---|---|---|
| Prior Years | 38 | 37 | 1 |
| 1999 | 0 | 0 | 1 |
| 2000 | 3 | 0 | 4 |
| 2001 | 2 | 2 | 4 |
| Total | 43 | 39 | 4 |

### Legal Compliance

The Department is committed to ensuring its financial activities are carried out in full compliance with applicable laws and regulations. To ensure this responsibility is carried out, senior Department financial managers direct annual reviews of financial operations and programs, and provide assurance to the Attorney General that Department activities are compliant with laws and regulations. The JMD, under the direction of the CFO, directs an annual review of operations and controls pursuant to the Integrity Act. In the FY 2000 report of the independent auditors, the Department was cited for noncompliance with federal systems standards and certain accounting standards. Also cited were limited instances of noncompliance with the Prompt Payment Act, certain reprogramming requirements, and an instance of noncompliance with standard general ledger requirements. During FY 2001, the Department was able to correct its noncompliances with the exception of the systems and accounting standard issues noted above.

**INSPECTOR GENERAL'S LIST OF THE TEN MOST SERIOUS MANAGEMENT CHALLENGES FACING THE DEPARTMENT**

On December 31, 2001, the Department's Inspector General (IG) identified his list of the top ten most serious management challenges for the Department. These challenges are discussed below, along with the Department's response. The IG's letter to the Attorney General is provided in Appendix H, and can be accessed electronically on the Department's web site at http://www.usdoj.gov/oig/ighp01.htm

(1) Counterterrorism. Last year, for the first time, the OIG included the "Departmental Response to Terrorism" as a top management challenge facing the Department. As the events of September 11, 2001, have illustrated, the United States faces grave threats of terrorist attacks, and, this year, the Attorney General has identified terrorism as the most important challenge facing the Department. As such, the Attorney General has added a new strategic goal to the Department's Strategic Plan for Fiscal Years 2001-2006, and has initiated reviews of all of our efforts to prevent, investigate, and prosecute terrorist acts, and to improve our entire counterterrorism program.

(2) Sharing of Intelligence and Law Enforcement Information. One of the lessons arising from the September 11 terrorist attacks is the critical importance of sharing intelligence and other law enforcement information among federal, state, and local agencies, both for the investigation of terrorist attacks and for the prevention of future attacks. The Department must ensure that law enforcement agencies at all levels have access to information that could be important in helping detect and deter terrorist attacks. In a memorandum dated September 21, 2001, the Attorney General directed that information exposing a credible threat to the national security interests of the United States should be shared with appropriate federal, state, and local officials so that any threatened act may be disrupted or prevented. In late October, the President signed the *USA Patriot Act of 2001*, which permits greater sharing of intelligence and law enforcement information. The Department will ensure that these new authorities are used appropriately and that other federal, state, and local law enforcement agencies have access to information important to their work.

(3) Information Systems Planning and Implementation. Given the crucial role that the Department's mission-critical computer systems play in its operational and administration programs -- not to mention the vast sums of money spent on developing and deploying these systems -- information systems planning and implementation remains a key priority for the Department. In 2001 the Department issued an information technology investment management (ITIM) policy and guidance that establish a sound disciplined management process that guides information systems planning and implementation. Currently, the Department is revising the systems development life cycle methodology to be in line with the ITIM process. The process ensures long-range planning. A disciplined budget decision-making approach is the foundation for managing IT portfolios of assets to meet performance goals and objectives with minimal risk, lowered life-cycled costs, and greater benefits to the Department's overall business needs.

(4) Computer Systems Security. The Department acknowledges the need to improve its IT security program. The Department has made progress during the past 12 months, but still has a great deal of work to do. To this end, the Department has submitted the required critical infrastructure protection plan and issued a new IT security policy. The Department continues to certify and accredit its systems, and has integrated IT security into the capital planning and investment controls process. Specifically, the Department will: (1) continue to conduct an aggressive program of penetration tests and independent assessments and carefully follow up on the results; (2) continue to certify and accredit systems and monitor corrective action plans to address the vulnerabilities of systems; (3) develop remedial action plans for identifying vulnerabilities; and (4) reevaluate and assess the Department's critical infrastructure and planning initiatives based upon the recent terrorist events of September 11, 2001. This issue has also been identified as an Integrity Act material weakness, and is discussed in the previous section, "Analysis of Systems, Controls, and Legal Compliance."

(5) INS's Enforcement of Immigration Laws. The INS's enforcement of immigration laws, particularly its ability to deter illegal immigration and remove aliens who are here illegally, is a critical challenge. The Border Patrol faces significant enforcement challenges along the southwest and northern borders to stem the tide of illegal aliens, drugs, and potential terrorists. Additional appropriations provided the INS in FY 2002, and requested by the President in FY 2003, will augment considerably the INS's border control efforts. Recently, the INS reassessed its approach in managing risks at the northern border. Its new approach focuses on enhancing national security and on controlling cross-border crime activity and illegal migration while facilitating legitimate travel and commerce.

The monitoring of alien overstays and removal of criminal aliens are also critical issues for the Department. In FY 2003, the INS will continue its aggressive campaign to remove all removable aliens with a concentrated focus on criminal aliens. The INS will develop a fugitive operations program to identify, locate, apprehend, and remove criminal aliens who have received final orders of removal and who have not presented themselves for final removal (absconders). The INS will continue its IRP to identify, locate, process, and provide hearings for aliens within the criminal justice system and effect their expedient removal after their release from custody and/or incarceration. The INS will also develop systems to monitor and track individuals released from custody to ensure their appearance for final removal. The INS will continue its coordination and cooperation with both government and non-government organizations to facilitate the efficient and expeditious removal of all removable aliens. The INS will target its efforts to include the use of the National Crime Information Center to identify criminals and recidivists.

(6) Financial Systems and Statements. The Department plans to achieve a full unqualified audit opinion on all its financial statements and has identified a unified core financial system as one of the ten goals for revamping the Department's management. Three systems have been identified for replacement in the first phases of this project: FBI, INS, and USMS. Other systems will be replaced as they reach the end of their normal life cycles, or as immediate needs require. The unified core system will be a COTS financial management system product(s) certified by the JFMIP as meeting core federal financial management system requirements. The comprehensive project plan and milestones will be developed during the planning phase, to be completed in May

2002. Additionally, the Department is now focusing on resolving the individual accounting, internal control, and reporting weaknesses cited in the audits, rather than the overall financial statement audit opinion.

(7) Detention Space and Infrastructure – the USMS and the INS. This issue has also been identified as an Integrity Act material weakness, and is discussed in the previous section, "Analysis of Systems, Controls, and Legal Compliance."

(8) Grant Management. Each year, OJP develops a risk-based financial monitoring plan that considers inherent programmatic and recipient risks, including the amount of funding at risk, known problems/issues, special requests, and a random sample of active awards. OJP currently initiates financial monitoring on an average of 14 percent of its active grant funds by reviewing an average of 7 percent of its active grant universe each year. When rare instances of waste, fraud, or abuse are reported, OJP responds with direct technical assistance to the recipients to correct serious problems or to the investigators in bringing about the appropriate criminal prosecutions. In all cases, results of financial monitoring are communicated to the respective OJP program office and the results of financial monitoring are used in OJP's nationwide Regional Financial Management Training Seminars, as well as in the grant course offered to state and local law enforcement officers at the FBI National Academy. In addition, OJP invests resources in preventive monitoring and training provided to grantees, law enforcement officers, OJP program monitors, and grant administrators.

(9) Performance Based Management. The Department is working to improve its performance accountability systems and to establish performance based management. On November 8, 2001, the Attorney General challenged the Department to hold itself accountable through performance measures, stating that "Performance should be measured by outcomes and results, not inputs." Similarly, the President's "Management Agenda for Fiscal Year 2002," prepared by OMB, demands integration of budget and performance, stating "Over the past few years the Department has seen a significant expansion in its mission and measures supported by performance data, particularly rapid growth in resources. Meaningful measures of program outcomes are essential to evaluate this investment and determine future resource requirements."

(10) Department Organizational Structure. The Department is developing or implementing reorganization plans in several of its components. While some of this reorganization is related to our heightened counterterrorism mission, some is designed to correct long-standing organizational problems. The INS has proposed reorganizing into two separate but connected bureaus, one to handle enforcement of immigration laws and one to provide services and benefits to immigrants. OJP is reorganizing to reduce duplication in grant programs and improve efficiency. The FBI is reorganizing its operations and reevaluating its mission in light of the September 11 attacks and its new priority to prevent acts of terrorism. The OIG listed two management challenges in this regard: (1) ensuring that the reorganizations accomplish their intended purposes; and (2) ensuring that the Department's interconnected programs and functions are not adversely impacted by the changes.

## POSSIBLE EFFECTS OF EXISTING, CURRENTLY-KNOWN DEMANDS, RISKS, UNCERTAINTIES, EVENTS, CONDITIONS, AND TRENDS

### FY 2002 Change in Strategic Goal Structure

As discussed, on November 8, 2001, the Attorney General announced major changes in the Department to support its counterterrorism role. The Department continues to enforce vigorously the broad spectrum of laws of the United States. However, the fight against terrorism is now the first and overriding priority of the Department.

In support of the Department's change in focus, the Department's Strategic Plan for Fiscal Years 2001-2006 was also announced. The new Strategic Plan now includes eight strategic goals, which replace the seven goals reported here. Implementing these new goals will certainly effect the many functions and responsibilities of the Department and will change the presentation of performance information in the coming years.

### Other Factors and Future Trends Affecting Department of Justice Goal Achievement

#### Technology

- Advances in high speed telecommunications, computers, and other technologies are creating new opportunities for criminals, new classes of crimes, and new challenges for law enforcement.

#### Economy

- Possible increases in consumer debt may affect bankruptcy filings.
- Deregulation, economic growth, and globalization are changing the volume and nature of anti-competitive behavior.
- The interconnected nature of the world's economy is increasing opportunities for criminal activity, including money laundering, white collar crime, and alien smuggling.

#### Government

- Changes in the fiscal posture or policies of state and local governments could have dramatic effects on the capacity of state and local governments to remain effective law enforcement partners.

**Globalization**

- Issues of criminal and civil justice increasingly transcend national boundaries, require the cooperation of foreign governments, and involve treaty obligations, multinational environment and trade agreements, and other foreign policy concerns.

**Social-Demographic**

- The number of adolescents and young adults, now the most crime-prone segment of the population, is expected to grow rapidly over the next several years.

**The Unpredictable**

- Changes in federal laws may affect responsibilities and workload.
- Much of the litigation caseload is defensive. The Department has little control over the number, size, and complexity of the civil lawsuits it must defend.

The Department's leadership is committed to ensuring its programs and activities will continue to be targeted to meeting the dynamic demands of the changing legal, economic, and technological environments of the future.

**LIMITATIONS OF THE FINANCIAL STATEMENTS**

- The financial statements have been prepared to report the financial position and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b).

- While the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

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# REPORT OF INDEPENDENT ACCOUNTANTS

United States Attorney General and
The Office of the Inspector General
United States Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice and its components as of September 30, 2001 and 2000, and the related consolidated statements of net cost, changes in net position and custodial activity, and the related combined statements of budgetary resources and financing, for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain components of the Department, including the Office of Justice Programs, Drug Enforcement Administration, Federal Bureau of Investigation, Immigration and Naturalization Service, U.S. Marshals Service, Bureau of Prisons, and Federal Prison Industries, Inc., which statements reflect total combined assets of $23.4 and $21.2 billion and total combined net costs of $16.7 and $16.9 billion for the years ended September 30, 2001 and 2000, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these components, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Because of inadequate records supporting the number of pending immigration and naturalization benefit applications as of October 1, 1999, the auditors of the Immigration and Naturalization Service (INS) were unable to obtain sufficient evidential matter to form an

opinion regarding the earned revenues offset portion of Immigration Program Costs for the year ended September 30, 2000. The INS's earned revenues offset portion of Immigration Program Costs represents 32% of the Department's fiscal year 2000 consolidated earned revenues.

In our opinion, based on our audits and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary in the fiscal year 2000 statements of net cost, changes in net position, budgetary resources, and financing, had other auditors been able to obtain sufficient evidential matter concerning the earned revenues offset portion of Immigration Program Costs of the Immigration and Naturalization Service, the consolidated and combined financial statements referred to above, after giving effect to the restatements described in Note 19, present fairly, in all material respects, the financial position of the Department of Justice and its components, at September 30, 2001 and 2000, and their net cost, changes in net position, budgetary resources, financing and custodial activity for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.H. and Note 19, respectively, the Department implemented Statement of Federal Financial Accounting Standards No. 10, *Accounting for Internal Use Software*, and No. 21, *Reporting on Corrections of Errors and Changes in Accounting Principles*, during fiscal year 2001.

Our audits were conducted for the purpose of forming an opinion on the Department's consolidated and combined financial statements taken as a whole. The consolidating and combining information is presented for purposes of additional analysis of the Department's consolidated and combined financial statements rather than to present the financial position, net costs, changes in net position, budgetary resources, financing, and custodial activity of the Department's components. The consolidating and combining information has been subjected to the auditing procedures applied in the audits of the Department's consolidated and combined financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in the fiscal year 2000 statements of net cost, changes in net position, budgetary resources, and financing, had other auditors been able to obtain sufficient evidential matter concerning the earned revenues offset portion of Immigration Program Costs of the Immigration and Naturalization Service, after giving effect to the restatements described in Note 19, the consolidating and combining information is fairly

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Report of Independent Accountants
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stated in all mat rial respects in relation to the Department's consolidated and combined financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) are not required parts of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements,* as amended. We did not audit the information and express no opinion on it. However, we and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. The Department was not able to fully complete the reconciliation of non-fiduciary transactions with their intra-governmental trading partners as required by OMB Bulletin No. 97-01, as amended.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 14, 2002 on our consideration of the Department's internal control and a report dated February 14, 2002 on its compliance with laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

PricewaterhouseCoopers LLP

February 14, 2002
Washington, DC

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# REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL

United States Attorney General and
The Office of the Inspector General
United States Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice and its components as of September 30, 2001 and 2000, and the related consolidated statements of net cost, changes in net position and custodial activity, and its combined statements of budgetary resources and financing, for the years then ended, and have issued our report thereon dated February 14, 2002. Except as explained in that report, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

We did not audit the financial statements of certain components of the Department, including the Office of Justice Programs (OJP), Drug Enforcement Administration (DEA), Federal Bureau of Investigation (FBI), Immigration and Naturalization Service (INS), U.S. Marshals Service (USMS), Bureau of Prisons (BOP), and Federal Prison Industries, Inc. (FPI), which statements reflect total combined assets of $23.4 and $21.2 billion, and total combined net costs of $16.7 and $16.9 billion, as of and for the years ended September 30, 2001 and 2000, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our report on the Department's internal control herein, insofar as it relates to these components, is based solely on the reports of the other auditors.

Management of the Department is responsible for establishing and maintaining accounting systems and internal control. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use or disposition; (2) transactions are executed in compliance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and any other laws, regulations and government-wide policies identified in Appendix C of OMB Bulletin No. 01-02; and (3) transactions and other data that support reported performance

measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. Because of inherent limitations in any internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits of the Department's financial statements, we obtained an understanding of the design of significant internal controls and whether they had been placed in operation, tested certain controls and assessed control risks in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described above, and we did not test all controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. Our purpose was not to provide an opinion on the Department's internal controls. Accordingly, we do not express such an opinion.

With respect to internal control relevant to data that support reported performance measures, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures. Accordingly, we do not provide an opinion on such controls.

We noted, and the reports of other auditors identified, certain matters in the Department's internal control that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to the auditors' attention relating to significant deficiencies in the design or operation of internal control that, in their judgment, could adversely affect the Department's ability to meet the internal control objectives described in the third paragraph. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited or material to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The auditors' consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

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**Overview of Material Weaknesses and Reportable Conditions**

Table 1 summarizes the 13 material weaknesses and 12 reportable conditions identified by components' auditors. We analyzed the reportable conditions identified by the components' auditors to determine their effect on the Department's internal control over financial reporting and identified three Department-wide reportable conditions that were also considered to be material weaknesses. All three conditions were identified in our fiscal year 2000 report on the Department's internal control.

**Table 1: Department-wide Material Weaknesses (M) and Reportable Conditions (R)**

| **Department (DOJ)**<br>**Condition in Fiscal Year 2001** | | DOJ | OBD | AFF | FBI | DEA | OJP | INS | USM | BOP | FPI | WCF |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Improvements are needed in the Department's components' recordation of financial transactions in accordance with generally accepted accounting principles. | | M | R | - | M<br>R | M<br>M<br>R | R | M<br>R | R | - | M<br>M | - |
| Improvements are needed in the Department's components' general and application controls over financial management systems. | | M | - | - | M | M | R | M<br>M | M | - | R | - |
| Improvements are needed in the Department's financial statement preparation controls and the components' compliance with the Department's *Financial Statement Requirements and Preparation Guide*. | | M | R | - | M | M | R | - | R | - | R | - |
| Total Material Weaknesses Reported by components' auditors | FY2001 | 13 | 0 | 0 | 3 | 4 | 0 | 3 | 1 | 0 | 2 | 0 |
| | FY2000 | 15 | 0 | 0 | 2 | 4 | 0 | 3 | 1 | 0 | 5 | 0 |
| Total Reportable Conditions Reported by components' auditors | FY2001 | 12 | 2 | 0 | 1 | 1 | 3 | 1 | 2 | 0 | 2 | 0 |
| | FY2000 | 23 | 2 | 2 | 1 | 2 | 3 | 3 | 3 | 3 | 1 | 3 |

Offices, Boards and Divisions (OBD); Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF); Working Capital Fund (WCF); U.S. Marshals Service (USM).

Note: For fiscal year 2000, two reportable conditions were identified at the Department's data centers that are not included in the table above. There were no material weaknesses reported for the Department's data centers in fiscal year 2001.

The remainder of this report discusses these material weaknesses in greater detail. Because of the frequency with which these conditions were found within the ten components, we recommend Department-wide corrective actions.

**Improvements are needed in the Department's components' recordation of financial transactions in accordance with generally accepted accounting principles.**

Seven of the components' auditors reported the following deficiencies in the components' recording of financial transactions in accordance with the Statements of Federal Financial Accounting Standards (SFFAS) prescribed by the Federal Accounting Standards Advisory Board:

**SFFAS No. 5, Accounting for Liabilities of the Federal Government:** Auditors of the DEA, the OBDs, the INS, and the FBI reported that components' processes to estimate accounts payable were not adequate or were not completed timely. Specifically, auditors of the DEA reported that the methodology used by the DEA to estimate accounts payable was not well supported; auditors of the INS reported that due to limitations in the design and operation of its financial management system, the INS does not record accounts payable at the transaction level throughout the year. Auditors reported that revisions are needed in the FBI's estimation process to allow for timely inclusion in interim and year-end financial statements, and we reported that the OBDs did not always properly record the status of delivered and undelivered obligations. We also identified that the OBDs' Office of Community Oriented Policing Services used some non-current information in the calculation of accrued grant expenses.

**SFFAS No. 7, Accounting for Revenue and Other Financing Sources:** Auditors of the INS, the USMS, the FPI, and the OBDs reported that improvements are needed in the components accounting for earned and deferred revenue. The auditors of the INS reported that the INS does not have a reliable system that can provide regular, timely data on the number and value of immigration applications and petitions received, completed and pending, which is necessary to support general ledger entries for recording earned revenues when the applications are completed. Auditors of the USMS reported that its core financial management system does not contain a subsidiary system to record accounts receivable transactions at the customer level. The auditors of the FPI reported that management did not effectively manage its accounts receivable division and did not consistently or adequately perform collection efforts on its intra-governmental accounts receivable and debt with the public. We reported that the OBDs do not always "invoice" their customers in a timely manner, including services performed for other Department components.

**SFFAS No 6, Accounting for Property, Plant and Equipment:** Auditors reported that improvements are needed in the components' procedures related to the timely processing, reconciliation, and recording of capitalized property. Auditors of the FBI reported that a restatement of $11 million to the FBI's fiscal year 2000 financial statements was required because management in the procurement and contract units did not follow FBI's Property

Management Manual. Auditors of the OJP reported that physical inventories were not performed in the last two years; and auditors reported that the USMS has not implemented adequate procedures to ensure capitalized property and improvements are identified and properly recorded.

**SFFAS No 3, Accounting for Inventory and Related Property:** Auditors of the FPI reported that financial accounting system deficiencies continue to exist in the capture, processing, reporting, and utilization of inventory data. The FPI did not have effective costing procedures in place to reasonably estimate manufacturing overhead rates, and did not have adequate accountability over the Finished Goods at Customer account. In addition, FPI has not fully developed adequate business processes to ensure that all finished goods inventory items are consistently valued based on transaction processing methods. Finally, the auditors reported that one processing factory did not perform periodic and systematic counts of its perpetual inventory records as required by policy.

**SFFAS No. 1, Accounting for Selected Assets and Liabilities:** Auditors of the FBI reported that the payment of interest and penalties as required by the *Prompt Pay Act* has doubled in each of the last two years because of inefficient vendor invoice approval and payment processes. This also contributed to the under-reporting of FBI's accounts payable and added to the accounts payable estimation workload at year-end. Auditors reported that the DEA continues to have significant unreconciled differences between the collections and disbursements recorded in its accounting records and those recorded by the U.S. Treasury, and that controls over imprest fund replenishments need to be strengthened.

**Recommendation**

We recommend that the Chief Financial Officer:

1. Require the Department's reporting components follow the Department's *Financial Statement Preparation and Requirements Guide*, and other financial management policies and procedures currently in place. The Department's Justice Management Division (JMD) should monitor components' compliance with the Department's policies and procedures, and require that corrective action plans be submitted that document the timeline for completing critical tasks and the tasks that must be completed.

**Management Response:** Concur. JMD will require corrective action plans, including time lines, by March 22, 2002, addressing the conditions identified in the consolidated and component audit Reports on Internal Controls. JMD will further emphasize its accounting standards and policies through the financial statements working group meetings, training, and management monitoring. JMD will also monitor component compliance with Department and federal standards through component corrective action plans and advise the CFO on non-compliance with the time line completion dates.

**Improvements are needed in the Department's components' general and application controls over financial management systems.**

In support of the fiscal year 2001 financial statement audits, we and other component auditors relied on the general controls work performed on select Department financial management information systems as part of the *Government Information Security Reform Act* (GISRA) review. The FBI's auditors performed similar work on the FBI's information systems. Our GISRA review was performed, exclusive of the FBI, at the Department's data centers, the DEA, the BOP, and the Executive Offices of the United States Attorney (EOUSA). In addition to the GISRA review, we and other auditors performed testing on the general and application controls over components' financial management information systems.

Our GISRA review at the Department's data centers, the DEA, the BOP and the EOUSA did not identify weaknesses in financial management systems' general controls that were deemed to be material weaknesses as defined by the AICPA. The FBI's auditors reported their findings to the OIG in a separate limited distribution report.

Component auditors identified weaknesses in six components' general and application controls over components' financial management information systems that increase the risk programs and data processed on these systems are not adequately protected from unauthorized access or service disruption. Table 2 outlines the more significant weaknesses identified by the auditors. Following the table, we summarized some of the specific conditions reported by the components' auditors.

**Table 2: Components financial information system weaknesses**

| Condition in Fiscal Year 2001 | FBI | DEA | OJP | INS | USM | FPI |
|---|---|---|---|---|---|---|
| Entity-wide Security | X | X | | X | X | X |
| Access Controls | X | X | X | X | X | X |
| Application Software Development and Change Controls | X | X | | X | X | X |
| Service Continuity | X | | | X | X | |
| Segregation of Duties | X | X | | X | | |
| System Software | X | | | X | | |

**FBI** - Auditors reported that individually or collectively, the weaknesses identified in Table 2 could compromise the agency's ability to ensure security over sensitive programmatic or financial data, the reliability of its financial reporting, and compliance with applicable laws and regulations.

**DEA** - Auditors reported that several of DEA's data processing systems: (a) have an expired certification/accreditation; (b) cannot track personnel who are granted access to the system or whose access should be terminated; (c) do not have documented procedures for handling software changes; and (d) cannot trace data entries to source documents. In addition, the auditors reported that inactive administrator accounts are not removed timely and that security administrator training should be improved, and that the security administrator's duties should be appropriately segregated.

**OJP** – Auditors reported that user authentication options have not been configured to provide optimal password protection and that several of OJP's servers have not been optimally configured to monitor actual or attempted unauthorized, unusual, or sensitive access.

**INS** - Auditors reported that although its financial management system of record has been in development for almost five years, the implementation is not complete, requiring the majority of INS's transactions to be entered into its legacy system. Auditors reported that the legacy system, which has many inherent control weaknesses, now serves as a feeder system to the financial management system of record. Auditors reported that collectively, the conditions noted above present significant risks to the continued operation of INS's financial management system as a whole. Without adequate controls over its financial management system, the INS could experience a loss or manipulation of data, expensive efforts to recover the system (and data), as well as financial losses.

**USMS** - Auditors reported that significant weaknesses in the USMS's general control environment continue to exist, mainly due to staffing constraints that prevent the implementation of corrective actions to ensure continued reliable operation of the information management system. Security plans have not been completed for two financial management applications, and contingency plans were either outdated or incomplete.

**FPI** - Auditors reported that vulnerabilities were identified during their internal and external penetration testing, and that the FPI's security plan for the general network needs refinement. The auditors also reported that the financial accounting system databases lacked the required encryption of information deemed sensitive by the Computer Security Act of 1987 and the Department's information system policies.

In performing our procedures at the Department's data centers and on the components' financial management information systems, we and other component auditors considered the General Accounting Office's, *Federal Information System Controls Audit Manual;* OMB Circular A-130, Appendix III, *Automated Information Security Programs*; the Computer Security Act of 1987; the Department's Order No. 2640.2C, *Telecommunications and Automated Information Systems Security* and the National Institute of Standards and Technology's Publications.

**Recommendations**

We recommend that the Chief Financial Officer:

2. Require the components' Chief Information Officers to submit corrective action plans to the Department's Chief Financial Officer that address the weaknesses identified above. The action plans should focus on correcting deficiencies in entity-wide security, access controls, application software development and change controls, service continuity, segregation of duties, system software, and other specific application control weaknesses discussed in the components' auditors reports on internal control. The corrective action plans should include a timeline that establishes when major events must be completed, and the CIO should monitor components' efforts to correct deficiencies and hold them accountable for meeting the action plan timelines.

**Management Response**: Concur. JMD will require by March 22, 2002, that components' Chief Information Officers (CIO) submit a corrective action plan, including a time line, to the Chief Financial Officer which addresses the cited weaknesses in financial systems and application controls. The CFO will monitor components' efforts to correct deficiencies and hold them accountable for meeting the action plan time lines.

3. Implement the recommendations made in (a) our GISRA reports, (b) the FBI's auditors' report on the FBI's information systems control, and (c) the specific recommendations made in the components' auditors' reports on the components' financial management information systems.

**Management Response**: Concur. The Department will implement the recommendations outlined in the limited distribution reports.

**Improvements are needed in the Department's financial statement preparation controls and the components' compliance with the Department's *Financial Statement Requirements and Preparation Guide*.**

The Government Management Reform Act requires federal agencies to submit audited agency-wide financial statements to the OMB by March 1 of each year. To fulfill this requirement, the Department's ten reporting components prepare separate financial statements that are independently audited and consolidated into the Department's agency-wide financial statements. The consolidation is performed by the JMD, which has primary responsibility for ensuring the Department's consolidated financial statements are compliant with OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended.

In prior reports on the Department's internal control, we recommended that the Department implement a strategic plan for financial reporting that addresses the need for consistent reporting among components and the need to involve senior financial and program managers in the financial statement preparation process. In response to this recommendation, JMD issued a number of Department-wide policies and held periodic meetings with the Department's components where the Department's accounting and financial reporting requirements were discussed.

A key product of JMD's efforts was the issuance of the *Financial Statement Requirements and Preparation Guide*. The guide provided instructions for preparing components' financial statements, including the form and content of the statements, and the deadlines for completing and submitting them to JMD for consolidation. Although we believe JMD's efforts provided a solid foundation for improved financial reporting in fiscal year 2001, we and other auditors continue to identify weaknesses in the Department's and components' financial statement preparation controls:

- **Components' draft financial statements and Managements' Discussion and Analysis (MD&A) were incomplete and contained clerical errors.** Auditors of the USMS and the FPI reported that management had not performed adequate reviews of draft financial statements submitted for audit, resulting in mathematical errors, incomplete disclosures, and inconsistencies in the financial statements and note disclosures. Auditors of the OJP reported that the MD&A was incomplete and the information contained therein was not reliable.

- **Components' accrual-based financial transaction processing is not performed on an on-going basis, resulting in substantial efforts at year-end to obtain and analyze financial data necessary for financial statement preparation.** Auditors of the DEA and

the OBDs reported that these components must improve their financial statement preparation processes to include performing more procedures throughout the fiscal year, as opposed to the intensive year-end efforts performed in this fiscal year. In addition, these components must improve the coordination and involvement of program offices in the gathering and analyzing of financial data necessary to prepare the components' financial statements. The financial statement preparation effort must be a component-wide effort, involving all program, budget, and administrative offices, not just a finance office task. Gathering financial data only at year-end does not provide sufficient time to analyze transactions or account balances, and could result in misstated or unsupported financial statement account balances.

- **Components' information systems that process financial data are not configured to support financial statement preparation and on-going financial management.** Auditors of the FPI reported that the accounting system of record cannot fully generate data relating to intra-governmental accounts payable, costs, accounts receivable, revenues related to On-line Payment and Collections billings and charge backs, and revenues related to reimbursable and miscellaneous sales. We reported that some of the OBDs program management systems that provide financial data necessary for the preparation of the financial statements are not integrated with its core financial accounting system, requiring redundant data entry and extensive year-end manual reconciliations.

- **The FBI's financial management component lacks adequate staff to perform the many tasks needed to produce annual financial statements.** Auditors reported that inadequate staffing for the financial statement preparation process resulted in the financial statements not being prepared in accordance with the Department's requirements. In addition, there is an increased risk that future financial statements will not be prepared in a timely manner because of the limited number of individuals dedicated to this task and the accelerated financial reporting deadlines of the Department and the OMB.

- **Improvements are needed in the Department's recordation of elimination entries.** Components did not consistently follow the Department's requirements to accumulate and report elimination entries; specifically, timelines were not met, data was not provided in required formats, and not all financial activity among the Department's components was confirmed. Delays in finalizing components' financial statements in accordance with the Department's requirements, and performing elimination entry procedures only at the end of the fiscal year, contribute to the conditions identified in the Department's elimination process.

- **The reconciliation of intra-governmental transactions with other federal agencies was not fully completed.** Department management reported that they were unable to fully complete the reconciliation of non-fiduciary Federal Intra-governmental Activity and

Balances because (a) not all of the Department's trading partners responded to the confirmations sent by the Department, (b) confirmations received from the Department's trading partners did not provide sufficient detail to identify the Department components that initiated the transaction, and (c) the Department's information systems are not fully capable of providing sufficient information to allow for timely reconciliation with trading partners. Accordingly, extensive manual efforts were attempted, but were not adequate, to complete a full reconciliation of all amounts with the Department's trading partners.

- **Improvements are needed in the preparation of the Department's MD&A.** We noted that some of the information in the Department's draft MD&A was not supported by consistent information presented in the components' MD&A. Revisions were made to the Department's final MD&A to correct the inconsistencies; however, improvements are needed in controls to ensure components prepare their MD&As in accordance with the Department's requirements. We also noted that the MD&A lacked detailed discussions on the funding aspects of program performance or the outcomes of program missions.

The Department and its components corrected material errors and inconsistencies only after JMD, the OIG, or the independent auditors had identified them. In many cases, the components' financial statements had already been submitted to JMD for consolidation in the Department's financial statements, thus requiring adjustment to the components' financial statements before final auditors' reports on the components' financial statements could be released. It is essential that all components follow the Department's *Financial Statement Preparation and Requirements Guide* and other accounting policies to ensure consistency in the Department's consolidated financial statements. Components' financial managers must perform reviews of financial data to ensure the Department's requirements are being met, and the components' must eliminate their dependency on accumulating and reporting financial data only once a year.

Financial management and reporting must be performed throughout the fiscal year and must be complete (e.g. apply full accrual-based accounting). This will eliminate the need to perform extensive manual financial statement preparation efforts at the end of the fiscal year that are susceptible to error and increase the risk of misstatement in the Department's and components' financial statements. This is especially important given the new financial reporting requirements of the OMB. Beginning with fiscal year 2002, the Department will have to prepare interim financial statements at March 31, and in fiscal year 2003, quarterly financial statements. In addition to these multiple reporting dates, the deadlines for the year-end financial statements are being accelerated, approximately one month earlier than the Department was able to fully complete its financial statements in this fiscal year. Without improvements or fundamental changes to the way components manage their accrual-based financial activities, there is a serious risk that the Department's fiscal year 2002 financial statements will not be able to be completed and audited in accordance with required deadlines,

possibly resulting in modifications to the auditors' reports on the Department's financial statements, internal control, or compliance with laws and regulations.

**Recommendations**

We recommend that the Chief Financial Officer:

4. Require the Department's reporting components follow the Department's *Financial Statement Preparation and Requirements Guide*. The *Guide* should be revised to include:

   (a) new accounting and reporting requirements of the OMB and/or the FASAB,
   (b) accelerated financial statement submission deadlines,
   (c) requirements to prepare and submit interim financial statements,
   (d) requirements to perform accrual-based accounting throughout the fiscal year, instead of the current dependency to perform accruals at the end of the fiscal year, and
   (e) improved controls over the Department's elimination entry process, its intra-governmental trading partner reconciliation, and preparation and reporting in the MD&A.

   JMD should monitor compliance with the Department's guide and report to the Chief Financial Officer any component that does not meet Department requirements.

**Management Response:** Concur. The Financial Statements Guide has already been substantially updated to address the new accounting, reporting, and due date requirements for FY 2002, as amended by OMB, FASAB and the Department. The Guide contains a time line which identifies critical milestones in completing FY 2002 requirements, including interim financial statements and intra-governmental trading partner reconciliations. The Guide has been distributed for comment and a final version is expected to be issued to components by approximately March 15, 2002. JMD will continue to monitor components' efforts to ensure that financial statements are prepared in accordance with the Guide.

5. Assess the viability of centralizing components' information systems that capture redundant financial data, or consider standardizing the accumulation and recording of financial transactions in accordance with the Department's requirements. For example, information systems that process redundant data entry could be centralized (e.g. inventory and property management) to reduce redundant data entry and the resources needed to account for and monitor data that is similar among components.

   As an alternative to centralizing information systems, the Department could standardize its processing of financial transactions on the budgetary and accrual basis of accounting. This

would increase assurance that components perform consistent financial accounting and reporting.

All changes to information systems or financial transaction processing must consider the handling and reporting of classified or other sensitive financial data, and appropriate access controls must be developed to ensure components have access only to their own financial data.

**Management Response**: Concur. The Department recognizes that its financial statement preparation and consolidation functions would be improved with more consistent and standardized practices and systems. The Financial Statements Guide revisions for FY 2002 statements are designed to significantly improve the consistency of information submitted by components for the consolidated statements. As noted above, the FY 2002 Guide will be issued on or about March 15, 2002. Plans are underway to acquire a Unified Financial Management System that is compliant with JFMIP requirements, and that system will form the Department's single core financial management system application. As a result of the unified system project, the Department will realize improved consistency of processing and data standardization across the components, an improvement which will aid in the preparation of the consolidated financial statements. The project will be a multi-year effort, with implementation beginning with noncompliant legacy systems.

## STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS

As required by *Government Auditing Standards* and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of the Department's corrective actions with respect to the findings and recommendations from our previous reports on the Department's internal controls. The following analysis provides our assessment of the progress the Department has made in correcting the material weaknesses and reportable conditions identified in these reports. We also provide the Office of the Inspector General report number that remains open for audit follow-up, our recommendations for improvement, and the status of the condition as of September 30, 2001:

| Report | Reportable Condition | Status |
|---|---|---|
| 00-06 (1999) | Material Weakness: The Department's components did not have policies or procedures in place or were not following them to ensure that financial transactions were recorded in accordance with generally accepted accounting principles.<br><br>Recommendations: Emphasize the proper processing and recording of financial transactions in accordance with generally accepted accounting principles. | In Process |
| 98-07A (1997) | Material Weakness: The Department must perform key reconciliations. In fiscal year 1997, this was reworded to emphasize reconciliation of fund balance with Treasury, and was downgraded to a reportable condition in fiscal year 1998.<br><br>Recommendations: Perform reconciliations and resolve all differences on a timely basis. | In Process (a) |
| 00-06 (1999) | Material Weakness: Weaknesses exist in components' financial management systems and improvements are needed in the general controls at the Department's data centers.<br><br>Recommendations: Implement corrective actions identified in data center reports and correct control deficiencies at the component level. | In Process |
| 00-06 (1999) | Material Weakness: Financial statement preparation processes were not effective to ensure financial statements were completed timely and in conformance with the requirements of the Government Management Reform Act, OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended, and the Department's policies.<br><br>Recommendations: Require components to submit audited financial statements to the Justice Management Division that are timely and consistent with the Department's requirements. | In Process |

(a) – Reworded and combined with the first material weakness in this report.

As required by OMB Bulletin No. 01-02, we have compared the material weaknesses and material nonconformances reported by management in the Department's Federal Managers' Financial Integrity Act (FMFIA) Report to our report on the Department's internal control. We determined that the third material weakness in our report was not reported in the Department's FMFIA report; however, we do not believe that the failure to report this material weakness constitutes a separate reportable condition or material weakness because there are different criteria used to determine material weaknesses for both reports and management has reported, in general terms, some of the material weaknesses relating to components' financial accounting and reporting processes. However, management did not specifically identify financial statement preparation as a material weakness in their fiscal year 2001 FMFIA certification.

Components' auditors identified other reportable conditions that we considered not to be reportable conditions in relation to the Department's consolidated financial statements. A summarization of these and other less significant issues will be addressed to the Department's management in a separate consolidated management letter dated February 14, 2002. In addition, components' auditors provided separate management letters to components' management with respect to less significant control issues that were identified during the components' audits.

This report is intended solely for the information of the Attorney General and management of the Department, the Office of the Inspector General, the OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 14, 2002
Washington, DC

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH LAWS AND REGULATIONS

United States Attorney General and
The Office of the Inspector General
United States Department of Justice

We have audited the accompanying consolidated balance sheets of the U.S. Department of Justice and its components as of September 30, 2001 and 2000, and the related consolidated statements of net cost, changes in net position and custodial activity, and its combined statements of budgetary resources and financing, for the years then ended, and have issued our report thereon dated February 14, 2002. Except as explained in that report, we conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements.*

We did not audit the financial statements of certain components of the Department, including the Office of Justice Programs (OJP), Drug Enforcement Administration (DEA), Federal Bureau of Investigation (FBI), Immigration and Naturalization Service (INS), U.S. Marshals Service (USMS), Bureau of Prisons (BOP), and Federal Prison Industries, Inc. (FPI), which statements reflect total combined assets of $23.4 and $21.2 billion, and total combined net costs of $16.7 and $16.9 billion, as of and for the years ended September 30, 2001 and 2000, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our report on the Department's compliance with laws and regulations, insofar as it relates to these components, is based solely on the reports of the other auditors.

Compliance with laws and regulations applicable to the Department is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we and other auditors performed tests of the components' compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions and, accordingly, we do not express such an opinion.

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The results of other auditors' tests of components' compliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed the following instance of non-compliance that was reported under *Government Auditing Standards* and OMB Bulletin No. 01-02: The FPI did not report past-due debt with the public to the United States Department of the Treasury in accordance with the Debt Collection Improvement Act of 1996.

Under FFMIA, we are required to report whether the Department's financial management systems substantially comply with (1) the Federal financial management systems requirements, (2) the applicable Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. The results of other auditors' tests disclosed the following instances where the components' financial management systems did not substantially comply with the three FFMIA requirements discussed in this paragraph:

**Federal Financial Management System Requirements:** Auditors of the INS, FBI, DEA, USMS, and FPI reported that these components' financial management systems did not meet Federal financial management system requirements, including certain provisions of OMB Circulars A-127, *Financial Management Systems*; A-130, *Management of Federal Information Resources;* and A-123, *Management Accountability and Control.*

**Federal Accounting Standards:** Auditors of the FBI, DEA, INS, and FPI reported material weaknesses related to the accounting and reporting of financial transactions in accordance with Statements of Federal Financial Accounting Standards.

All significant facts pertaining to the matters referred to above and recommended remedial actions are included in the component auditors' Reports on Internal Control.

This report is intended solely for the information and use of the Attorney General and management of the Department, the Office of the Inspector General, the OMB, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 14, 2002
Washington, DC

# U.S. Department of Justice

## Principal Financial Statements
and Related Notes

## DEPARTMENT OF JUSTICE
## Consolidated Balance Sheet
## As of September 30, 2001 and 2000

| | | Restated |
|---|---|---|
| **ASSETS (Note 17)** | | |
| Intragovernmental | | |
| Fund Balance with U.S. Treasury (Note 2) | $ 19,803,411 | $ 18,394,741 |
| Investments, Net (Note 4) | 1,398,665 | 1,380,637 |
| Accounts Receivable, Net (Note 1.G, 5) | 232,516 | 212,589 |
| Other Assets (Note 6) | 84,916 | 63,089 |
| Total Intragovernmental | 21,519,508 | 20,051,056 |
| Accounts Receivable, Net (Note 1.G, 5) | 116,809 | 135,658 |
| Cash and Other Monetary Assets (Note 3) | 164,212 | 171,963 |
| Inventory and Related Property, Net (Note 7) | 178,642 | 159,313 |
| General Property, Plant and Equipment, Net (Note 9) | 6,476,848 | 5,935,217 |
| Forfeited Property, Net (Note 8) | 56,643 | 71,901 |
| Advances and Prepayments (Note 1.I) | 809,748 | 451,088 |
| Other Assets (Note 6) | 1,831 | 2,720 |
| **Total Assets** | **$ 29,324,241** | **$ 26,978,916** |
| **LIABILITIES (Note 18)** | | |
| Intragovernmental | | |
| Accounts Payable | $ 268,485 | $ 276,430 |
| Accrued FECA Liabilities (Note 1.Q) | 201,249 | 183,495 |
| Debt (Note 10) | 20,000 | 20,000 |
| Custodial Liability | 271,280 | 265,637 |
| Other Liabilities (Note 11) | 490,446 | 213,597 |
| Total Intragovernmental | 1,251,460 | 959,159 |
| Accounts Payable | 1,991,875 | 2,447,599 |
| Actuarial FECA Liabilities (Note 1.Q) | 1,193,590 | 965,513 |
| Accrued Payroll and Benefits | 492,451 | 452,181 |
| Accrued Annual and Compensatory Leave | 590,331 | 554,912 |
| Environmental Cleanup Cost (Note 22) | 5,101 | 9,013 |
| Deferred Revenue (Note 1.D) | 735,705 | 676,628 |
| Seized Cash and Monetary Assets | 583,438 | 575,941 |
| Contingent Liabilities (Note 16) | 73,922 | 196,109 |
| Capital Lease Liabilities (Note 12) | 83,675 | 87,802 |
| Other Liabilities (Note 11) | 300,586 | 311,280 |
| **Total Liabilities** | **$ 7,302,134** | **$ 7,256,137** |
| **NET POSITION** | | |
| Unexpended Appropriations (Note 15) | $ 14,125,349 | $ 12,238,151 |
| Cumulative Results of Operations | 7,896,758 | 7,484,628 |
| **Total Net Position** | **$ 22,022,107** | **$ 19,722,779** |
| **Total Liabilities and Net Position** | **$ 29,324,241** | **$ 26,978,916** |

The accompanying notes are an integral part of these financial statements.

# DEPARTMENT OF JUSTICE
## Consolidated Statement of Net Cost
## For Fiscal Years Ended September 30, 2001 and 2000

Dollars in Thousands

| | FY | Program Costs: Intra-governmental | Program Costs: With the Public | Less Earned Revenues | Net Cost Of Operations |
|---|---|---|---|---|---|
| Investigation and Prosecution of Criminal Offenses | 2001 | $ 1,548,868 | $ 4,588,071 | $ 365,754 | $ 5,771,185 |
| | 2000 | $ 1,412,925 | $ 4,186,517 | $ 341,113 | $ 5,258,329 |
| Assistance to Tribal, State, and Local Governments | 2001 | 263,835 | 4,685,312 | 132,078 | 4,817,069 |
| | 2000 | 267,440 | 5,543,718 | 91,559 | 5,719,599 |
| Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests | 2001 | 456,650 | 1,330,015 | 267,951 | 1,518,714 |
| | 2000 | 603,950 | 1,163,785 | 314,378 | 1,453,357 |
| Immigration | 2001 | 1,020,857 | 2,585,646 | 1,182,523 | 2,423,980 |
| | 2000 | 790,667 | 2,728,330 | 943,284 | 2,575,713 |
| Detention and Incarceration | 2001 | 1,498,161 | 5,756,911 | 1,303,273 | 5,951,799 |
| | 2000 | 1,429,896 | 5,128,800 | 1,126,587 | 5,432,111 |
| Protection of the Federal Judiciary and Improvement of the Justice System | 2001 | 99,479 | 497,032 | 138,366 | 458,145 |
| | 2000 | 241,848 | 557,627 | 142,547 | 656,928 |
| Management | 2001 | 87,303 | 144,784 | 35,637 | 196,450 |
| | 2000 | 76,331 | 153,746 | 39,032 | 191,045 |
| **Total (Note 20)** | 2001 | $ 4,975,153 | $19,587,771 | $ 3,425,582 | $ 21,137,342 |
| | 2000 | $ 4,823,069 | $19,462,523 | $ 2,998,500 | $ 21,287,082 |

FY 2000 has been restated.

The accompanying notes are an integral part of these financial statements.

## DEPARTMENT OF JUSTICE
## Consolidated Statement of Changes in Net Position
## For Fiscal Years Ended September 30, 2001 and 2000

| (Dollars in Thousands) | 2001 | Restated 2000 |
|---|---|---|
| **Net Cost of Operations** | $ (21,137,342) | $ (21,287,082) |
| Financing Sources (other than exchange revenues): | | |
| Appropriations Used | 19,863,667 | 20,363,468 |
| Other Non-exchange Revenues (Note 1.D) | 1,012,184 | 1,249,249 |
| Imputed Financing (Note 14) | 575,415 | 506,441 |
| Donations | 792 | 1,098 |
| Transfers-in | 147,895 | 123,290 |
| Transfers-out | (48,131) | (34,688) |
| Other Financing Sources | (2,350) | - |
| **Net Results of Operations** | $ 412,130 | $ 921,776 |
| Prior Period Adjustments (Note 19) | - | 90,506 |
| **Net Change in Cumulative Results of Operations** | $ 412,130 | $ 1,012,282 |
| **Increase (Decrease) in Unexpended Appropriations** | 1,887,198 | (1,385,171) |
| **Change in Net Position** | $ 2,299,328 | $ (372,889) |
| **Net Position-Beginning of Period** | 19,722,779 | 20,095,668 |
| **Net Position - End of Period** | $ 22,022,107 | $ 19,722,779 |

The accompanying notes are an integral part of these financial statements.

# DEPARTMENT OF JUSTICE
## Combined Statement of Budgetary Resources
## For Fiscal Years Ended September 30, 2001 and 2000

| Dollars in Thousands | 2001 | Restated |
|---|---|---|
| **Budgetary Resources:** | | |
| Budget Authority | $ 22,825,163 | $ 20,543,074 |
| Unobligated Balances - Beginning of Period (Note 19) | 4,229,982 | 3,843,222 |
| Net Transfers, Prior Year Balance, Actual | (44,122) | (21,947) |
| Spending Authority from Offsetting Collections | 5,599,326 | 4,832,023 |
| Adjustments | (314,120) | (616,012) |
| **Total Budgetary Resources (Note 23)** | **$ 32,296,229** | **$ 28,580,360** |
| **Status of Budgetary Resources:** | | |
| Obligations incurred (Note 23) | $ 29,332,372 | $ 25,628,388 |
| Unobligated Balances - Available | 2,488,674 | 2,344,922 |
| Unobligated Balances - Not Available | 475,183 | 607,050 |
| **Total Status of Budgetary Resources** | **$ 32,296,229** | **$ 28,580,360** |
| **Outlays:** | | |
| Obligations Incurred | $ 29,332,372 | $ 25,628,388 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 6,706,913 | 5,618,467 |
| Subtotal | 22,625,459 | 20,009,921 |
| Obligated Balance, Net - Beginning of Period (Note 19) | 14,232,403 | 14,293,782 |
| Less: Obligated Balance, Net - End of Period | 15,245,799 | 14,206,736 |
| **Total Outlays (Note 23)** | **$ 21,612,063** | **$ 20,096,967** |

The accompanying notes are an integral part of these financial statements.

## DEPARTMENT OF JUSTICE
### Combined Statement of Financing
### For Fiscal Years Ended September 30, 2001 and 2000

| | 2001 | Restated 2000 |
|---|---|---|
| **Obligations and Nonbudgetary Resources** | | |
| Obligations Incurred | $ 29,332,372 | $ 25,628,388 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 6,706,913 | 5,618,467 |
| Donations not in the Budget | 792 | 1,098 |
| Financing Imputed for Cost Subsidies (Note 14) | 575,415 | 506,441 |
| Transfers, Net | 37,385 | (18,870) |
| Exchange Revenue Not in the Budget | (136,449) | 21,250 |
| Other | 75,765 | (21,736) |
| **Total Obligations as Adjusted, and Nonbudgetary Resources** | **$ 23,178,367** | **$ 20,498,104** |
| **Resources That Do Not Fund Net Cost of Operations** | | |
| Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided | $ (1,910,566) | $ 633,504 |
| Change in Unfilled Customer Orders | 207,472 | 21,290 |
| Costs Capitalized on the Balance Sheet | (871,765) | (1,033,204) |
| Financing Sources That Fund Costs of Prior Periods | 3,879 | (14,371) |
| Other | (93,146) | 392,229 |
| **Total Resources That Do Not Fund Net Cost of Operations** | **$ (2,664,126)** | **$ (552)** |
| **Costs That Do Not Require Resources** | | |
| Depreciation and Amortization | $ 361,558 | $ 336,872 |
| Revaluation of Assets and Liabilities | 1,679 | 160 |
| Gain/Loss on Disposition of Assets | 13,458 | 7,697 |
| Other | 19,400 | 49,212 |
| **Total Costs That Do Not Require Resources** | **$ 396,095** | **$ 393,941** |
| **Financing Sources Yet to Be Provided (Note 13)** | **$ 227,006** | **$ 395,589** |
| **Net Cost (Revenue) of Operations** | **$ 21,137,342** | **$ 21,287,082** |

The accompanying notes are an integral part of these financial statements.

## DEPARTMENT OF JUSTICE
## Consolidated Statement of Custodial Activity
## For Fiscal Years Ended September 30, 2001 and 2000

| | | |
|---|---|---|
| **Revenue Activity** | | |
| **Sources of Cash Collections** | | |
| Civil and Criminal Debt Collections | $ 2,977,741 | $ 3,429,179 |
| General Fund Receipts | 247,762 | 143,920 |
| Fines, Penalties and Restitution Payments | 3,252 | 5,700 |
| Total Cash Collections | $ 3,228,755 | $ 3,578,799 |
| **Accrual Adjustments** | 2,622 | 1,538 |
| **Total Custodial Revenue** | $ 3,231,377 | $ 3,580,337 |
| **Disposition of Collections** | | |
| Transferred to Federal Agencies: | | |
| Agency for International Development | (12,057) | - |
| Environmental Protection Agency | (355,039) | (232,689) |
| Federal Deposit Insurance Corporation | (7,151) | - |
| Federal Trade Commission | - | (10,066) |
| General Services Administration | (5,576) | - |
| National Aeronautics and Space Administration | (7,829) | - |
| Office of Personnel Management | (8,369) | - |
| Small Business Administration | (8,257) | - |
| U.S. Department of the Air Force | (5,145) | - |
| U.S. Department of the Army | (3,572) | - |
| U.S. Department of Agriculture | (78,762) | (1,072,857) |
| U.S. Department of Commerce | (3,314) | (13,484) |
| U.S. Department of Defense | (34,469) | (47,091) |
| U.S. Department of Education | (33,710) | (34,334) |
| U.S. Department of Energy | (11,391) | - |
| U.S. Department of Health and Human Services | (1,207,767) | (589,160) |
| U.S. Department of Housing and Urban Development | (5,220) | (52,667) |
| U.S. Department of the Interior | (193,242) | (192,797) |
| U.S. Department of Justice | (424,782) | (25,728) |
| U.S. Department of the Navy | (14,030) | - |
| U.S. Department of Transportation | (56,303) | (20,807) |
| U.S. Department of the Treasury | (337,784) | (580,429) |
| U.S. Department of Veterans Affairs | (4,978) | - |
| U.S. Postal Service | (5,111) | - |
| Other | (13,879) | (64,115) |
| Transferred to the Public | (323,638) | (508,567) |
| (Increase)Decrease in Amounts to be Transferred | (2,561) | (57,584) |
| Refunds and Other Payments | (1,412) | (547) |
| Retained by the Reporting Entity | (66,029) | (77,415) |
| **Net Custodial Revenue Activity (Note 21)** | $ - | $ - |

The accompanying notes are an integral part of these financial statements

**U.S. Department of Justice**
**Notes to the Principal Financial Statements**
**(Dollars in Thousands)**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Department has a wide-range of responsibilities which include: detecting, apprehending, prosecuting, and incarcerating criminal offenders; operating Federal prison factories; upholding the civil rights of all Americans; enforcing laws to protect the environment; ensuring healthy competition of business in the United States free enterprise system; safeguarding the consumer from fraudulent activity; carrying out the immigration laws of the United States; and representing the American people in all legal matters involving the United States Government. Under the direction of the Attorney General, these responsibilities are discharged by the components of the Department.

For purposes of these consolidated/combined financial statements, the following components comprise the Department's reporting entity:

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Working Capital Fund (WCF)
- Offices, Boards and Divisions (OBDs)
- Bureau of Prisons (BOP)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Federal Prison Industries, Inc. (FPI)
- Federal Bureau of Investigation (FBI)
- Drug Enforcement Administration (DEA)
- Immigration and Naturalization Service (INS)

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### B. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Department as required by the Government Management Reform Act of 1994, Public Law 103-356, 108, Stat. 3515. These financial statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles (GAAP) issued by the Federal Accounting Standards Advisory Board (FASAB) and Office of Management and Budget (OMB) Bulletin 97-01, Form and Content of Agency Financial Statements, as amended. These financial statements are different from the financial reports, also prepared for the Department pursuant to OMB directives, which are used to monitor and control the use of the Department's budgetary resources. The accompanying financial statements include the accounts of all funds under the Department's control.

### C. Basis of Accounting

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

### D. Revenues and Other Financing Sources

The Department receives the majority of funding needed to support its programs through Congressional appropriations. The Department receives both annual, no-year, and multi-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenues, non-exchange revenues and transfers-in.

Appropriations are recognized as financing sources at the time the related program or administrative expenses are incurred. Exchange revenues are recognized when earned, for example, when goods have been delivered or services rendered. Non-exchange revenues are resources that the Government demands or receives, for example, forfeiture revenue and fines and penalties.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**D. Revenues and Other Financing Sources - Continued**

The Department's exchange revenue consists of licensing fees to manufacture and distribute controlled substances, services rendered for legal activities, space management, and data processing services. Fees are collected for inspecting commercial and/or sea vessel passengers, and processing various immigration applications. Other exchange revenues are generated by the sale of merchandise and telephone services to inmates, and the sale of manufactured goods and services to other federal agencies. The pricing policy for goods and services provided is based on cost plus a predetermined gross margin ratio.

The Department's non-exchange revenue consists of forfeiture income resulting from the sale of forfeited property, penalties in lieu of forfeiture, recovery of returned asset management cost, judgment collections, and other miscellaneous income. Other non-exchange revenue includes the OJP Crime Victims Fund receipts and AFF/SADF interest on investments with the U.S. Department of the Treasury (Treasury).

The Department's deferred revenue includes fees received for processing various applications and licenses mostly with INS and DEA. Deferred revenue represents monies received to process applications and licenses for which the process was not completed at the year end. These monies are recorded as liabilities in the financial statements. Deferred revenue also includes forfeited property held for sale. When the property is sold, the deferred revenue is reversed and forfeiture revenue in the amount of the gross proceeds of the sale is recorded.

**E. Funds with the U.S. Department of Treasury and Cash**

Funds with the Treasury represent primarily appropriated, revolving, and trust funds available to pay current liabilities and finance future authorized purchases. Cash receipts and disbursements are processed by the Treasury as directed by authorized certifying officers. The Department does not, for the most part, maintain cash in commercial bank accounts. Certain receipts, however, are processed by commercial banks for deposit into individual accounts maintained at the Treasury. The Department's cash and other monetary assets consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, seized cash, and drafts in transit.

**Notes to the Principal Financial Statements**
**(Dollars in Thousands)**

**F. Investments in U.S. Government Securities**

Investments are Federal debt securities issued by the Bureau of Public Debt. When securities are purchased, the investment is recorded at par value (the value at maturity). Premiums and/or discounts are amortized through the end of the reporting period. The Department's intent is to hold investments to maturity, unless securities are needed to sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

**G. Accounts Receivable**

Net accounts receivable includes reimbursement and refund receivables due from Federal agencies and others, less the allowance for doubtful accounts. Generally, most intragovernmental accounts receivable are considered fully collectible. The allowance for doubtful accounts for public receivables is estimated based on past collection experience and analysis of outstanding receivable balances at year end.

**H. Property, Plant and Equipment**

The Department owns some of the buildings in which it operates. Other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties. Depreciation on buildings and equipment provided by the GSA is not recognized by the Department. Leasehold improvements are depreciated over the term of the remaining portion of the lease.

Except for BOP and FPI, Department acquisitions of personal property, excluding internal use software, $25 and over are capitalized and depreciated, based on historical cost, using the straight-line method over the estimated useful lives of the assets. Personal property, excluding internal use software, is capitalized when the initial cost of acquiring the asset is $25 or more and the asset has an estimated useful life of two or more years. The Statement of Federal Financial Accounting Standards (SFFAS) No. 10, "Accounting for Internal Use Software," was implemented as of October 1, 2000. Internal use software is capitalized when developmental phase costs or enhancement costs are $500 or more and the asset has an estimated useful life of two or more years. BOP and FPI capitalize personal property acquisitions over $5. Aircraft is capitalized when the initial cost of acquiring those assets is $100 or more. Real property, except for land, is capitalized when the cost of acquiring and/or improving the asset is $100 or more and the asset has a useful life of two or more years. Land is capitalized regardless of the acquisition cost.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**I. Advances and Prepayments**

Advances and prepayments, classified as assets on the balance sheet, consist primarily of funds disbursed to grantees in excess of total of expenditures made by those grantees to third parties, funds advanced to state and local participants in the Domestic Cannabis Eradication and Suppression Program, and travel advances issued to Federal employees for official travel. Travel advances are limited to meals and incidental expenses expected to be incurred by the employees during official travel. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of payment and are recognized as expenses when the goods and services are received.

**J. Seized and Forfeited Property**

Property is seized in consequence of a violation of public law. Seized property can include monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial agency. Most non-cash property is held by the USMS from the point of seizure until its disposition.

Forfeited property is property for which the title has passed to the U.S. Government. This property is recorded at the estimated fair market value at the time of forfeiture. The value of the property is reduced by the estimated liens of record.

**K. Non-Entity Assets**

Non-entity assets are not available for use by the Department and consist of restricted undisbursed civil and criminal debt collections, cash bonds, and seized cash and other monetary assets.

**L. Liabilities, Loans and Interest Payable to the U.S. Treasury**

Liabilities represent the monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent proper budget authority. Liabilities that are not funded by the current year appropriation are classified as liabilities not covered by budgetary resources in Note 18.

Congress granted the FPI borrowing authority pursuant to Public Law 100-690. Under this authority, the FPI borrowed $20,000 from the Treasury with a lump-sum maturity date of September 30, 2008.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**M. Contingencies and Commitments**

The Department is involved in various legal actions, including administrative proceedings, lawsuits, and claims. A liability is generally recognized as an unfunded liability for those legal actions where unfavorable decisions are considered "probable" and an estimate for the liability can be made. Contingent liabilities that are considered "possible" are disclosed in the notes to the financial statements. Liabilities that are considered "remote" are not recognized in the financial statements or disclosed in the notes to the financial statements.

**N. Annual, Sick and Other Leave**

Annual and compensatory leave is expensed with an offsetting liability as it is earned and the liability is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual and compensatory leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

**O. Interest on Late Payments**

Pursuant to the Prompt Payment Act, 31 U.S.C. § 3901-3907, Federal agencies must pay interest on payments for goods or services made to business concerns after the due date. The due date is generally 30 days after receipt of a proper invoice or acceptance of the goods or services.

**P. Retirement Plan**

With few exceptions, employees hired before January 1, 1984, are covered by the Civil Service Retirement System (CSRS) and employees hired after that date are covered by the Federal Employees Retirement System (FERS).

For employees covered by the CSRS, the Department contributes 8.5 percent of the employees' gross pay for normal retirement or 9 percent for hazardous duty retirement. For employees covered by the FERS, the Department contributes approximately 13 percent of employees' gross pay. All employees are eligible to contribute to the Federal Thrift Savings Plan (TSP). For those employees covered by the FERS, a TSP is automatically established, and the Department is required to contribute an additional 1 percent of gross pay to this plan and match employee contributions up to 4 percent. No matching contributions are made to the TSPs established by the CSRS employees. The Department does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management (OPM).

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**P. Retirement Plan - Continued**

SFFAS No. 5, "Accounting for Liabilities of the Federal Government," requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. Refer to Note 14 — Imputed Financing Sources.

**Q. Federal Employee Compensation Benefits**

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The total FECA liability consists of an actuarial and an accrued portion as discussed below.

Actuarial Liability: The U.S. Department of Labor (DOL) calculates the liability of the Federal Government for future compensation benefits, which includes the expected liability for death, disability, medical, and other approved costs. The liability is determined using the paid-losses extrapolation method calculated over the next 37-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. The projected annual benefit payments were discounted to present value. The resulting Federal Government liability was then distributed by agency. The Department portion of this liability includes the estimated future cost of death benefits, workers' compensation, medical, and miscellaneous cost for approved compensation cases for the Department employees. The Department liability is further allocated to component reporting entities on the basis of actual payments made to the FECA Special Benefits Fund (SBF) for the three prior years as compared to the total Department payments made over the same period.

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the FY in which the cost is actually billed to the Department. The cost associated with this liability may be met by the Department without further appropriation action.

Accrued Liability: The accrued FECA liability is the difference between the FECA benefits paid by the FECA SBF and the agency's actual cash payments to the FECA SBF. For example, the FECA SBF will pay benefits on behalf of an agency through the current year. However, most agencies' actual cash payments to the FECA SBF for the current FY will reimburse the FECA SBF for benefits paid through a prior FY. The difference between these two amounts is the accrued FECA liability.

**Notes to the Principal Financial Statements**
**(Dollars in Thousands)**

**R. Principles of Consolidation**

The consolidated/combined financial statements of the Department include the accounts of the AFF/SADF, WCF, OBD, USMS, OJP, DEA, FBI, INS, BOP, and FPI. All significant proprietary intra-entity transactions and balances have been eliminated in consolidation. The statement of budgetary resources and the statement of financing are combined statements for FYs 2001 and 2000, and as such, intra-entity transactions have not been eliminated.

**S. Reclassifications**

The FY 2000 Departmental financial statements were reclassified to conform with the FY 2001 Departmental financial statement presentation requirements. The reclassifications had no effect on total assets, liabilities, net position, or the change in net position as previously reported.

**T. Use of Estimates**

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 2. Fund Balance with the U.S. Treasury

The Fund Balance with the U.S. Treasury amount reported in the financial statements represents the unexpended cash balance on the Department's books for all the Department's Treasury Symbols:

| | FY 2001 | FY 2000 |
|---|---|---|
| Trust Funds | $ 2,559,459 | $ 3,472,882 |
| Revolving Funds | 52,928 | 26,757 |
| Appropriated Funds | 14,190,701 | 12,322,489 |
| Other Fund Types | 3,000,323 | 2,572,613 |
| Total | $ 19,803,411 | $ 18,394,741 |

### Note 3. Cash, Foreign Currency and Other Monetary Assets

| | FY 2001 | FY 2000 |
|---|---|---|
| Undeposited Collections | $ 50,230 | $ 29,328 |
| Imprest Funds | 8,105 | 9,153 |
| Other Cash | 32,801 | 40,480 |
| Other Monetary Assets | 2,623 | 2,814 |
| Foreign Currency | 164 | 263 |
| Seized Monetary Instruments | 62,034 | 61,308 |
| Seized Cash Deposited | 8,255 | 28,617 |
| Total | $ 164,212 | $ 171,963 |

## Notes to the Principal Financial Statements (Dollars in Thousands)

### Note 4. Investments - Federal Securities, Net

As of September 30, 2001

| | Acquisition Cost | Unamortized Premium | Unamortized Discount | Investments Net | Market Value Disclosure |
|---|---|---|---|---|---|
| Intragovernmental Non-Marketable Securities | $ 1,401,183 | $ 247 | $ (2,765) | $ 1,398,665 | $ 1,400,330 |
| Total | $ 1,401,183 | $ 247 | $ (2,765) | $ 1,398,665 | $ 1,400,330 |

As of September 30, 2000

| | Acquisition Cost | Unamortized Premium | Unamortized Discount | Investments Net | Market Value Disclosure |
|---|---|---|---|---|---|
| Intragovernmental Non-Marketable Securities | $ 1,387,291 | $ 253 | $ (6,907) | $ 1,380,637 | $ 1,382,115 |
| Total | $ 1,387,291 | $ 253 | $ (6,907) | $ 1,380,637 | $ 1,382,115 |

### Note 5. Accounts Receivable, Net

| | FY 2001 | FY 2000 |
|---|---|---|
| Intragovernmental Accounts Receivable | $ 237,297 | $ 218,664 |
| Less: Allowance for Uncollectible Accounts | (4,781) | (6,075) |
| Total Intragovernmental Accounts Receivable, Net | 232,516 | 212,589 |
| Accounts Receivable | 168,715 | 178,086 |
| Less: Allowance for Uncollectible Accounts | (51,906) | (42,428) |
| Total Accounts Receivable, Net with the Public | 116,809 | 135,658 |
| Total Accounts Receivable, Net | $ 349,325 | $ 348,247 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 6. Other Assets

| | FY 2001 | | FY 2000 | |
|---|---|---|---|---|
| Intragovernmental | | | | |
| Advances to Others | $ | 82,101 | $ | 60,871 |
| Prepayments | | 1,408 | | 188 |
| Other | | 1,407 | | 2,030 |
| Total Intragovernmental | | 84,916 | | 63,089 |
| | | | | |
| Other Assets | | 1,831 | | 2,720 |
| Total Other Assets | $ | 86,747 | $ | 65,809 |

### Note 7. Inventory and Related Property

Inventories consist of new and rehabilitated office furniture, equipment and supplies used for the repair of airplanes, administrative supplies and materials, commission sales to inmates (sundry items), metals, plastics, electronics, graphics, and optics.

The value of new stock is determined on the basis of acquisition cost, whereas, the value of rehabilitated stock is determined on the basis of rehabilitation and transportation costs. Inventory on hand at year end is reported at the lower of original costs (using the first-in, first-out method) or current market value. Recorded values of inventories are adjusted for the results of physical inventories conducted throughout and at the close of the fiscal year.

An allowance for inventory valuation and obsolescence is recorded for anticipated inventory losses of contracts where the current estimated cost to manufacture the item exceeds the total sales price, as well as estimated losses for inventories that may not be utilized in the future.

**Notes to the Principal Financial Statements**
**(Dollars in Thousands)**

**Note 7. Inventory and Related Property - Continued**

| | FY 2001 | (Restated) FY 2000 |
|---|---|---|
| Inventory: | | |
| Raw Materials | $ 71,972 | $ 65,984 |
| Work-In-Process | 28,834 | 26,682 |
| Finished Goods | 53,222 | 39,302 |
| Inventory | | |
| Inventory Purchased for Resale | 11,777 | 11,871 |
| Excess, Obsolete and Unserviceable Inventory | (10,921) | (11,474) |
| Allowance | (2,340) | (3,431) |
| Operating Materials and Supplies | | |
| Held for Current Use | 26,098 | 30,379 |
| Total Inventory | $ 178,642 | $ 159,313 |

**Note 8. Forfeited and Seized Property**

**Anticipated Equitable Sharing in Future Periods:**

The statute governing the use of the AFF (28 U.S.C. §524(c)) permits the payment of equitable shares of forfeiture proceeds to participating foreign governments and state and local law enforcement agencies. The statute does not require such sharing and permits the Attorney General wide discretion in determining those transfers. Actual sharing is difficult to predict because many factors influence both the amount and time of disbursement of sharing payments, such as the length of time required to move an asset through the forfeiture process to disposition, the amount of net proceeds available for sharing, the elapse of time for Departmental approval of equitable sharing requests for cases with asset values exceeding $1 million, and appeal of forfeiture judgments. Because of uncertainties surrounding the timing and amount of any equitable sharing payment, an obligation and expense are recorded only when the actual disbursement of the equitable sharing payment is imminent. From FYs 1996 through 2001, equitable sharing allocation levels averaged $234 million. The anticipated equitable sharing allocation level for FY 2002 is $220 million.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property- Continued**

**Analysis of Change in Forfeited Property:**

Pursuant to Federal Financial Accounting and Auditing Technical Release 4, "Reporting on Non-Valued Seized and Forfeited Property", the value of forfeited property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included in the net forfeited property value, although the item count of non-valued items is disclosed.

The following table represents the analysis of change in forfeited property for FY 2001:

| Forfeited Property Category | | Beginning Balance | Adjust-ments FY2001 | Forfeited During FY2001 | Disposed During FY2001 | Ending Balance | Liens and Claims | Ending Balance Net of Liens |
|---|---|---|---|---|---|---|---|---|
| Financial & Other | Number | 65 | (4) | 82 | 65 | 78 | 1 | 77 |
| Monetary Instruments | Value | $ 3,887 | $ (1,162) | $ 7,653 | $ 6,371 | $ 4,007 | $ 123 | $ 3,884 |
| Real Property | Number | 288 | 46 | 273 | 359 | 248 | 4 | 244 |
| | Value | $ 36,634 | $ 5,985 | $ 34,173 | $ 48,932 | $ 27,860 | $ 190 | $ 27,670 |
| Personal Property | Number | 6,427 | 788 | 9,656 | 14,193 | 2,678 | 316 | 2,362 |
| | Value | $ 30,363 | $ 1,428 | $ 63,018 | $ 69,582 | $ 25,227 | $ 1,679 | $ 23,548 |
| Other | Number | 112 | (27) | 142 | 126 | 101 | 1 | 100 |
| | Value | $ 1,017 | $ (420) | $ 3,688 | $ 2,714 | $ 1,571 | $ 30 | $ 1,541 |
| Non-Valued | Number | 802 | (6) | 1,434 | 1,338 | 892 | 6 | 886 |
| | Value | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total | Number | 7,694 | 797 | 11,587 | 16,081 | 3,997 | 328 | 3,669 |
| | Value | $ 71,901 | $ 5,831 | $ 108,532 | $ 127,599 | $ 58,665 | $ 2,022 | $ 56,643 |

During FY 2001, forfeited property was sold ($77,641), returned to owners ($26,860), and disposed of by other means ($23,098). Other means of distribution include property transferred to other federal agencies for official use or equitable sharing, property distributed to a state or local agency, or destroyed.

The number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 2000. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property- Continued**

The following table represents the analysis of change in forfeited property for FY 2000:

| Forfeited Property Category | | Beginning Balance | Adjust-ments FY2000 | Forfeited During FY2000 | Disposed During FY2000 | Ending Balance | Liens and Claims | Ending Balance Net of Liens |
|---|---|---|---|---|---|---|---|---|
| Financial & Other | Number | 77 | 5 | 68 | 85 | 65 | - | 65 |
| Monetary Instruments | Value | $ 5,390 | $ (1) | $ 2,990 | $ 4,492 | $ 3,887 | $ - | $ 3,887 |
| Real Property | Number | 312 | 33 | 338 | 386 | 297 | 9 | 288 |
| | Value | $ 35,147 | $ 1,336 | $ 49,748 | $ 49,340 | $ 36,891 | $ 257 | $ 36,634 |
| Personal Property | Number | 5,632 | 56 | 37,229 | 35,754 | 7,163 | 736 | 6,427 |
| | Value | $ 38,771 | $ (2,844) | $ 140,195 | $ 143,505 | $ 32,617 | $ 2,254 | $ 30,363 |
| Other | Number | 132 | (19) | 185 | 183 | 115 | 3 | 112 |
| | Value | $ 925 | $ 59 | $ 1,916 | $ 1,866 | $ 1,034 | $ 17 | $ 1,017 |
| Non-Valued | Number | 658 | 7 | 1,667 | 1,527 | 805 | 3 | 802 |
| | Value | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total | Number | 6,811 | 82 | 39,487 | 37,935 | 8,445 | 751 | 7,694 |
| | Value | $ 80,233 | $ (1,450) | $ 194,849 | $ 199,203 | $ 74,429 | $ 2,528 | $ 71,901 |

During FY 2000, forfeited property was sold ($100,481), returned to owners ($75,587), and disposed of by other means ($23,135). Other means of distribution include property transferred to other federal agencies for official use or equitable sharing, property distributed to a state or local agency, or destroyed.

The number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 1999. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

In prior years, the AFF/SADF presented certain assets that had been converted to cash under both the classification in which the asset was seized and as cash. Beginning FY 2001, AFF/SADF discontinued presenting this dual accountability in the financial statements, though it continues to track assets according to their original character for management purposes. The FY 2000 Forfeited property amounts were reclassified to conform with the FY 2001 presentation.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property - Continued**

**Analysis of Change in Seized Property and Evidence:**

A seizure is the act of taking possession of goods in consequence of a violation of public law. Seized property consists of monetary instruments, real property and tangible personal property in the actual or constructive possession of the seizing and the custodial agencies. Such property is not legally owned by the Department until judicially or administratively forfeited. Seized evidence includes cash, financial instruments, non-monetary valuables and illegal drugs.

Pursuant to Federal Financial Accounting and Auditing Technical Release 4, "Reporting on Non-Valued Seized and Forfeited Property," the value of seized property with no legal market in the United States (e.g., weapons, chemicals, drug paraphernalia, gambling devices) is not included in the net seized property value, although the item count of non-valued items is disclosed. The gross value of seized property, less estimated liens, equals the net seized property value.

The following table represents the analysis of change in seized property for FY 2001:

| Seized Property Category | | Beginning Balance | Adjust-ments FY 2001 | Seized During FY 2001 | Disposed During FY 2001 | Ending Balance | Liens and Claims | Ending Balance Net of Liens |
|---|---|---|---|---|---|---|---|---|
| Financial & Other | Number | 706 | 13 | 596 | 330 | 985 | 7 | 978 |
| Monetary Instruments | Value | $ 88,286 | $ (6,776) | $ 26,602 | $ 22,231 | $ 85,881 | $ 212 | $ 85,669 |
| Real Property | Number | 188 | 121 | 217 | 241 | 285 | 82 | 203 |
| | Value | $ 49,642 | $ 4,107 | $ 31,977 | $ 31,188 | $ 54,538 | $ 8,122 | $ 46,416 |
| Personal Property | Number | 24,219 | 3,152 | 20,242 | 15,208 | 32,405 | 1,254 | 31,151 |
| | Value | $ 88,478 | $ 13,576 | $ 111,563 | $ 108,377 | $ 105,240 | $ 12,179 | $ 93,061 |
| Other | Number | 238 | (51) | 149 | 165 | 171 | 8 | 163 |
| | Value | $ 6,021 | $ (1,044) | $ 3,771 | $ 3,953 | $ 4,795 | $ 175 | $ 4,620 |
| Non-Valued | Number | 878 | 60 | 1,458 | 1,568 | 828 | 6 | 822 |
| | Value | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total | Number | 26,229 | 3,295 | 22,662 | 17,512 | 34,674 | 1,357 | 33,317 |
| | Value | $ 232,427 | $ 9,863 | $ 173,913 | $ 165,749 | $ 250,454 | $ 20,688 | $ 229,766 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property - Continued**

During FY 2001, seized property was forfeited ($103,145), returned to owners ($38,580), and disposed of by other means ($24,024). Other means of distribution include seized property that is sold, converted to cash, or destroyed.

Seized cash deposited (see Note 3) in the SADF of $8,255 is not presented in this note. Also, the number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 2000. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

FY 2000 ending number of units does not agree to FY 2001 beginning number of units. In FY 2001, DEA was able to qualify the number of units for financial instruments (461) and personal property (81) and adjusted the beginning balance to reflect these units.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property - Continued**

The following table represents the analysis of change in seized property for FY 2000:

| Seized Property Category | | Beginning Balance | Adjust-ments FY2000 | Seized During 2000 | Disposed During 2000 | Ending Balance | Liens and Claims | Ending Balance Net of Liens |
|---|---|---|---|---|---|---|---|---|
| Financial & Other Monetary Instruments | Number | 151 | 2 | 204 | 102 | 255 | 10 | 245 |
| | Value | $ 56,331 | $ (127) | $ 62,628 | $ 27,173 | $ 91,659 | $ 3,373 | $ 88,286 |
| Real Property | Number | 333 | 32 | 263 | 328 | 300 | 112 | 188 |
| | Value | $ 37,437 | $ 15,707 | $ 56,355 | $ 49,681 | $ 59,818 | $ 10,176 | $ 49,642 |
| Personal Property | Number | 21,807 | (111) | 49,250 | 43,773 | 27,173 | 3,035 | 24,138 |
| | Value | $ 116,444 | $(13,059) | $ 200,114 | $ 191,022 | $ 112,477 | $ 23,999 | $ 88,478 |
| Other | Number | 273 | 16 | 201 | 237 | 253 | 15 | 238 |
| | Value | $ 5,371 | $ 151 | $ 5,182 | $ 3,169 | $ 7,535 | $ 1,514 | $ 6,021 |
| Non-Valued | Number | 871 | 37 | 1,901 | 1,912 | 897 | 19 | 878 |
| | Value | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total | Number | 23,435 | (24) | 51,819 | 46,352 | 28,878 | 3,191 | 25,687 |
| | Value | $ 215,583 | $ 2,672 | $ 324,279 | $ 271,045 | $ 271,489 | $ 39,062 | $ 232,427 |

During FY 2000, seized property was forfeited ($188,437), returned to owners ($52,088), and disposed of by other means ($30,520). Other means of distribution include seized property that is sold, converted to cash, or destroyed.

Seized cash deposited (Note 3) in the SADF of $28,617 is not presented in this note. Also, the number of items represents quantities calculated using many different units of measure. Adjustments include property status and valuation changes received after, but properly credited to FY 1999. Valuation changes include updates and corrections to an asset's value recorded in a prior year.

In prior years, the AFF/SADF presented certain assets that had been converted to cash under both the classification in which the asset was seized and as cash. Beginning FY 2001, AFF/SADF discontinued presenting this dual accountability in the financial statements, though it continues to track assets according to their original character for management purposes. The FY 2000 Seized property amounts were reclassified to conform with the FY 2001 presentation.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property - Continued**

The DEA and FBI have custody of illegal drugs taken as evidence for legal proceedings. In accordance with Federal Financial Accounting and Auditing Technical Release No. 4, "Reporting on Non-Valued Seized and Forfeited Property," the Department reported the total amount of seized drugs below by quantity (kilograms) only, as illegal drugs have no value and are destroyed upon resolution of legal proceedings.

The following table represents the analysis of change in Seized Narcotics Held for Evidence for FY 2001:

| Analyzed Drug Evidence | Beginning Balance KG | Analyzed During FY 2001 KG | Disposed During FY 2001 KG | Ending Balance KG |
|---|---|---|---|---|
| Cocaine | 287,222 | 36,888 | 34,051 | 290,059 |
| Heroin | 2,153 | 736 | 380 | 2,509 |
| Marijuana | 43,845 | 26,766 | 24,353 | 46,258 |
| Methamphetamine | 4,206 | 1,714 | 1,088 | 4,832 |
| Other narcotics | 35,961 | 33,525 | 12,209 | 57,277 |
| Total | 373,387 | 99,629 | 72,081 | 400,935 |

For FY 2001 reporting, the Department modified its analysis of change in seized narcotics held for evidence by removing unanalyzed drug evidence. This modification created a variance between the FY 2000 ending and FY 2001 beginning analysis of change in seized narcotics held for evidence balances. Unanalyzed drug evidence is qualitatively different from analyzed drug evidence because unanalyzed drug evidence includes the weight of packaging and drug categories are based on the determination of Special Agents instead of laboratory chemists. Unanalyzed drug evidence also includes bulk drugs housed in secured storage facilities of which only a sample is taken for laboratory analysis. The FY 2001 beginning balance of unanalyzed drug evidence totaled 157,995 kilograms (kg). Seizures amounting to 597,005 kg were added to this balance during the year and 578,660 kg were analyzed or destroyed during the year leaving an ending balance of 176,340 kg of unanalyzed drug evidence.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 8. Forfeited and Seized Property - Continued**

The following table represents the analysis of change in Seized Narcotics Held for Evidence for FY 2000:

| Drug Evidence | Beginning Balance KG | Seized During FY2000 KG | Disposed During FY2000 KG | Ending Balance KG |
|---|---|---|---|---|
| Cocaine | 281,798 | 51,209 | 37,309 | 295,698 |
| Heroin | 2,300 | 532 | 492 | 2,340 |
| Marijuana | 167,199 | 570,439 | 553,385 | 184,253 |
| Methamphetamine | 4,907 | 1,510 | 1,735 | 4,682 |
| Other narcotics | 34,782 | 22,580 | 12,953 | 44,409 |
| Total | 490,986 | 646,270 | 605,874 | 531,382 |

During 2000, the DEA adjusted the beginning balances of seized narcotics due to the correction of errors in previously reported quantities and the identification of unanalyzed evidence not previously reported by the DEA.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 9. General Property, Plant and Equipment, Net

Items are generally depreciated using the straight line method.

| As of September 30, 2001 | Acquisition Cost | Accumulated Depreciation | Net Book Value | Service Life |
|---|---|---|---|---|
| Aircraft | $ 211,955 | $ (78,217) | $ 133,738 | 7-25 yrs |
| Buildings, Improvements and Renovations | 5,585,164 | (1,357,544) | 4,227,620 | 24-50 yrs |
| Assets Under Capital Leases | 108,443 | (28,079) | 80,364 | 5-20 yrs |
| Construction in Progress | 940,960 | - | 940,960 | N/A |
| Equipment | 657,673 | (356,328) | 301,345 | 2-25 yrs |
| Land and Land Rights | 169,450 | - | 169,450 | N/A |
| Leasehold Improvements | 216,274 | (75,551) | 140,723 | 2-20 yrs |
| Internal Use Software | 18,726 | (5,680) | 13,046 | 5 yrs |
| Internal Use Software in Development | 10,326 | - | 10,326 | N/A |
| Other Structures & Facilities | 433,734 | (144,446) | 289,288 | 10-50 yrs |
| Vehicles | 377,209 | (210,925) | 166,284 | 2-25 yrs |
| Other General Property, Plant and Equipment | 7,118 | (3,414) | 3,704 | 10-20 yrs |
| Total | $ 8,737,032 | $ (2,260,184) | $ 6,476,848 | |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 9. General Property, Plant and Equipment, Net - Continued**

| As of September 30, 2000 (Restated) | Acquisition Cost | Accumulated Depreciation | Net Book Value | Service Life |
|---|---|---|---|---|
| Aircraft | $ 212,835 | $ (70,303) | $ 142,532 | 7-25 yrs |
| Buildings, Improvements and Renovations | 4,847,688 | (1,183,758) | 3,663,930 | 24-50 yrs |
| Assets Under Capital Leases | 108,355 | (24,006) | 84,349 | 5-20 yrs |
| Construction in Progress | 1,013,508 | - | 1,013,508 | N/A |
| Equipment | 690,592 | (365,904) | 324,688 | 2-25 yrs |
| Land and Land Rights | 158,791 | - | 158,791 | N/A |
| Leasehold Improvements | 195,313 | (59,972) | 135,341 | 2-20 yrs |
| Internal Use Software | 10,793 | (4,861) | 5,932 | 5 yrs |
| Other Structures & Facilities | 400,859 | (127,208) | 273,651 | 10-50 yrs |
| Vehicles | 242,209 | (115,088) | 127,121 | 2-25 yrs |
| Other General Property, Plant and Equipment | 9,442 | (4,068) | 5,374 | 10-20 yrs |
| Total | $ 7,890,385 | $ (1,955,168) | $ 5,935,217 | |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 10. Debt**

During 1988, Congress granted FPI borrowing authority pursuant to Public Law 100-690. Under this authority, FPI borrowed $20,000 from the U.S. Treasury with a lump-sum maturity or optional renegotiation date of September 30, 1998. During 1998, the $20,000 loan maturity date was extended to September 30, 2008. The funds received under this loan were internally restricted for use in the construction of factories and the purchase of equipment. The loan accrues interest, payable March 31 and September 30 of each year, at 5.5 percent (the rate equivalent to the yield of U.S. Treasury obligations of comparable maturities which existed on the date of the loan extension). Accrued interest payable under the loan is either fully or partially offset to the extent the non-interest bearing cash deposits are maintained with the U.S. Treasury. In this regard, there is no accrual of interest unless the cash balance, on deposit with the U.S. Treasury, falls below $20,000. When this occurs, interest is calculated on the difference between the loan amount ($20,000) and the cash balance.

The loan agreement provides for certain restrictive covenants and a prepayment penalty for debt retirements prior to FY 2008. Additionally, the agreement limits authorized borrowings in an aggregate amount not to exceed 25 percent of the FPI's net equity. There were no net interest expenses for the years ended September 30, 2001 and 2000.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 11. Other Liabilities**

| | FY 2001 | FY 2000 |
|---|---|---|
| Intragovernmental Liabilities | | |
| Accrued Payroll and Benefits | $ 6,075 | $ 1,128 |
| Employer Contributions and Payroll Taxes | 120,573 | 111,479 |
| Advances from Others | 130,208 | 94,922 |
| Advances from Others (Non - Current) | 3,852 | - |
| Liability for Deposit Fund, Clearing Accounts & Undeposited Collections | 31,734 | (9,485) |
| Other Liabilities | 198,004 | 15,553 |
| Total Intragovernmental | 490,446 | 213,597 |
| Other Accrued Liabilities | 2,280 | - |
| Advances from Others | 6,290 | 18,064 |
| Liability for Deposit Fund, Clearing Accounts & Undeposited Collections | 221,874 | 214,038 |
| Custodial Liabilities | 43,530 | 47,984 |
| Other Liabilities | 26,612 | 31,194 |
| Total | $ 791,032 | $ 524,877 |

Intragovernmental other liabilities primarily represent civil debt collections where the Treasury General Fund is designated as the recipient of either a portion of a collection or the entire amount of a collection.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 12. Leases

Capital leases include a 30-year capital lease for a Federal Detention Center in Oklahoma City and an airplane hangar with an estimated cost of $20,000 over 20 years, with an estimated interest rate of 7 percent; and a lease for a training center with an estimated cost of $6,000 over 16 years with an estimated interest rate of 6.5 percent.

| Capital Leases: | FY 2001 | Restated FY 2000 |
|---|---|---|
| Summary of Assets Under Capital Lease: | | |
| Land & Buildings | $ 103,910 | $ 103,910 |
| Machinery & Equipment | 4,533 | 4,445 |
| Accumulated Amortization | (28,079) | (24,006) |
| Total | $ 80,364 | $ 84,349 |

Future Payments Due:

| Fiscal Year | Building | Equipment | Total |
|---|---|---|---|
| 2002 | $ 10,577 | $ 999 | $ 11,576 |
| 2003 | 10,577 | 748 | 11,325 |
| 2004 | 10,577 | 455 | 11,032 |
| 2005 | 10,577 | 108 | 10,685 |
| 2006 | 10,577 | 27 | 10,604 |
| After 2006 | 78,851 | - | 78,851 |
| Subtotal | $ 131,736 | $ 2,337 | $ 134,073 |
| Less: Imputed Interest | (50,032) | (366) | (50,398) |
| FY 2001 Net Capital Lease Liability | $ 81,704 | $ 1,971 | $ 83,675 |
| FY 2000 Net Capital Lease Liability (Restated) | $ 85,501 | $ 2,301 | $ 87,802 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 12. Leases - Continued**

**Operating Leases:**

**Future Operating Lease Payments Due:**

| Fiscal Year | Buildings | Equipment | Total |
|---|---|---|---|
| 2002 | $ 1,131,578 | $ 17,872 | $ 1,149,450 |
| 2003 | 1,216,567 | 19,173 | 1,235,740 |
| 2004 | 1,295,249 | 20,704 | 1,315,953 |
| 2005 | 1,389,527 | 22,410 | 1,411,937 |
| 2006 | 1,487,716 | 24,511 | 1,512,227 |
| After 2006 | 1,236,762 | 663 | 1,237,425 |
| Total Future Lease Payments | $ 7,757,399 | $ 105,333 | $ 7,862,732 |

The majority of space occupied by the Department is leased from the General Services Administration (GSA). The space is assigned to the Department by the GSA based on the Department's square footage requirements. The rent charged to the Department is intended to approximate commercial rates. These leases may be terminated without incurring termination charges, however, it is anticipated that the Department will continue to lease space from the GSA in future years. Total future operating lease payments of $7,862,732 include GSA leases.

Operating leases have been established for multiple years. Many of the operating leases that expire over an extended period of time include an option to purchase the equipment at the current fair market value, or to renew the lease for additional periods. Approximately $7,757,399 was for office space, parking facilities, and warehouses, and the remainder for office equipment and vehicles. Vehicles are leased from vendors for 12 months or less.

## Notes to the Principal Financial Statements (Dollars in Thousands)

### Note 13. Future Funding Requirements

Total liabilities not covered by budgetary resources for FYs 2001 and 2000 in amount of $2,461,386 and $2,226,948, respectively, do not equal the total financing sources yet to be provided on the Statement of Financing for FYs 2001 and 2000 of $227,006 and $395,589, respectively. Only current unfunded expenses are included in the Statement of Financing, while liabilities not covered by budgetary resources on the balance sheet include both unfunded expenses for the current and prior fiscal years.

Generally, liabilities not covered by budgetary resources require future funding and can only be liquidated with the enactment of future appropriations. These liabilities include accrued leave, actuarial liabilities, and other contingent liabilities. However, some of the liabilities not covered by budgetary resources do not require appropriations and will be liquidated by the assets of these entities. They include civil and criminal debt collections.

### Note 14. Imputed Financing Sources

Imputed financing recognizes actual cost of future benefits, the Federal Employees Health Benefits Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and the Pension that are paid by other Federal entities. The Treasury Judgment Fund was established by the Congress and funded at 31 U.S.C. 1304 to pay in whole or in part the court judgments and settlement agreements negotiated by the Department on behalf of agencies, as well as certain types of administrative awards. Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions," requires agencies to recognize liabilities and expenses when unfavorable litigation outcomes are probable and the amount can be estimated and will be paid by the Treasury Judgment Fund.

SFFAS No. 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the cost of pensions and other retirement benefits during their employees active years of service. SFFAS No. 5 requires OPM to provide cost factors necessary to calculate cost. OPM actuaries calculate the value of pension benefits expected to be paid in the future, and then determine the total funds to be contributed by and for covered employees. For FERS and CSRS employees, OPM calculated that 11.5 percent and 24.2 percent respectively of each employee's salary would be sufficient to fund these projected pension benefits. The cost to be paid by other agencies is the total calculated future costs, less employee and employer contributions. In addition, other retirement benefits which include the Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI) that are paid by other Federal entities must also be disclosed.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 14. Imputed Financing Sources - Continued**

Imputed financing sources:

| | FY 2001 | FY 2000 |
|---|---|---|
| Judgment Fund | $ 53,416 | $ 33,406 |
| Health Insurance | 327,188 | 291,495 |
| Life Insurance | 1,199 | 1,137 |
| Pension | 193,612 | 180,403 |
| Total | $ 575,415 | $ 506,441 |

**Note 15. Unexpended Appropriations**

| Appropriated Funds: | FY 2001 | FY 2000 |
|---|---|---|
| Unobligated - Available | $ 1,898,684 | $ 1,575,040 |
| Unobligated - Unavailable | 333,614 | 451,055 |
| Undelivered Orders | 11,893,051 | 10,212,056 |
| Total | $ 14,125,349 | $ 12,238,151 |

The Office of the Independent Counsel, within the OBDs, has permanent indefinite authority. A permanent indefinite appropriation is open-ended as to both its period of availability (amount of time the agency has to spend the funds) and its amount.

The restricted use of the unobligated balance includes cash bonds held in trust by the INS, undisbursed civil and criminal debt collections due to other agencies, annual appropriations that expire and will be transferred to the general fund, and unobligated balances from other Departmental appropriations transferred to the WCF.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 16. Contingencies and Commitments

The Department is party to various administrative proceedings, legal actions, and claims, including environmental damage claims, equal opportunity matters, and contractual bid protests. The balance sheet recognizes an estimated liability for those legal actions where adverse decisions are considered "probable" by the Chief Counsel. Management has determined that it is probable that some of these proceedings and actions will result in the incurrence of liabilities, and the amounts are reasonably estimable. The estimated liability for these cases for FYs 2001 and 2000 were $73,922 and $196,109, respectively and recorded in the financial statements. There are legal actions pending where adverse decisions are considered to be reasonably possible. The range for potential loss is undetermined at this time.

### Note 17. Non-Entity Assets

| | FY 2001 | Restated FY 2000 |
|---|---|---|
| Intragovernmental | | |
| Fund Balance with U.S. Treasury | $ 726,179 | $ 530,836 |
| Accounts Receivable, Net | 18 | 142 |
| Investments, Net | 528,271 | 501,308 |
| Total Intragovernmental | 1,254,468 | 1,032,286 |
| | | |
| Cash and Other Monetary Assets | 104,289 | 120,268 |
| Accounts Receivable, Net | 3,014 | 3,476 |
| Total Non-Entity Assets | 1,361,771 | 1,156,030 |
| Total Entity Assets | 27,962,470 | 25,822,886 |
| Total Assets | $ 29,324,241 | $ 26,978,916 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 18. Liabilities Not Covered by Budgetary Resources**

| | FY 2001 | (Restated) FY 2000 |
|---|---|---|
| Intragovernmental | | |
| Custodial Liability | $ 269,054 | $ 262,117 |
| Accrued FECA Liability | 201,249 | 183,495 |
| Other Liabilities (Note 11) | 2,904 | 3,294 |
| Total Intragovernmental | 473,207 | 448,906 |
| | | |
| Environmental Cleanup Cost | 352 | 3,482 |
| FECA Actuarial Liabilities | 1,193,590 | 985,513 |
| Accrued Annual and Compensatory Leave | 590,331 | 554,912 |
| Capital Lease Liabilities (Note 12) | 82,999 | 87,698 |
| Contingent Liabilities (Note 16) | 73,922 | 97,309 |
| Deferred Revenue | 1,175 | 1,144 |
| Other Liabilities (Note 11) | 45,810 | 47,984 |
| Total Liabilities Not Covered by Budgetary Resources | 2,461,386 | 2,226,948 |
| Total Liabilities Covered by Budgetary Resources | 4,840,748 | 5,029,189 |
| Total Liabilities | $ 7,302,134 | $ 7,256,137 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 19. Restatements, Prior Period Adjustments and Reclassifications

In FY 2001, the Department implemented SFFAS No. 21, "Reporting Corrections of Errors and Changes in Accounting Principles" that requires (a) the restatement of prior period financial statements for material errors identified in the current period and (b) prior period adjustments to the cumulative results of operations in the earliest financial statements presented, for material errors identified in financial statements that are not presented.

**The Department's FY 2000 financial statements were restated as follows:**

| | As Reported | As Restated | Difference |
|---|---|---|---|
| Consolidated Balance Sheet: | | | |
| Inventory and Related Property, Net | $ 160,324 | $ 159,313 | $ (1,011) |
| Property, Plant and Equipment, Net | $ 5,915,756 | $ 5,935,217 | $ 19,461 |
| Capital Lease Liabilities | $ 87,638 | $ 87,802 | $ 164 |
| Consolidated Statement of Net Cost: | | | |
| Intragovernmental Gross Cost | $ 4,794,385 | $ 4,823,059 | $ 28,674 |
| Gross Cost With the Public | $ 19,494,147 | $ 19,462,523 | $ (31,624) |
| Earned Revenue | $ 2,977,638 | $ 2,998,500 | $ 20,862 |
| Combined Statement of Budgetary Resources: | | | |
| Unobligated Balance, End to Beginning | $ 2,951,972 | $ 4,229,982 | $ 1,278,010 |
| Obligated Balance, End to Beginning | $ 14,206,736 | $ 14,232,403 | $ 25,667 |
| Total Outlays | $ 20,117,896 | $ 20,096,967 | $ (20,929) |

The balance sheet restatements to property, plant and equipment represent the FBI assets that were not capitalized. The restatements to inventory and related property, and capital lease liabilities represent the recordation of an additional inventory allowance and assets that were not capitalized, respectively, at the FPI.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 19. Restatements, Prior Period Adjustments and Reclassifications - Continued**

The restatements to intragovernmental gross costs represent amounts improperly classified in the FPI financial statements. The restatements to gross costs with the public represent the FBI unrecorded capitalized assets ($19,297 decrease) and the FPI restatement of its inventory allowance and other amounts improperly classified ($12,327 decrease). Finally, earned revenues were restated by $15,331 to account for improperly classified amounts on the FPI financial statements, and the remaining amount was the result of the reclassification from non-exchange revenues to earned revenues.

The change from the FY 2000 unobligated balance ending to the FY 2001 unobligated balance beginning reflects the accounting treatment for certain budgetary transactions in accordance with OMB Circular No. A-34, *Instructions on Budget Execution*. The majority of the change is related to the OJP Crime Victims Fund, where revenues of $1,262,140 were not considered resources in FY 2000, but are considered available at the beginning of FY 2001. The remaining change of $15,870 represents similar transactions at the AFF, DEA, and BOP.

The change from the FY 2000 obligated balance ending to the FY 2001 obligated balance beginning is a result of a correction of an error in the BOP FY 2000 financial statements.

The restatement of $20,929 in Outlays relates to the adjustments to the FPI ($20,964 increase) and the FBI ($41,893 decrease) financial statements as discussed above.

As a result of the restatements to the balance sheet, statements of net cost, changes in net position, and budgetary resources discussed above, similar restatements were made to the statement of financing to account for these error corrections. In addition, corrections were made to amounts reported by the INS in the Depreciation and Amortization ($92 decrease), Other Resources That Do Not Fund Net Cost Of Operations ($16,996 decrease) and Other Costs That Do Not Require Resources ($17,088 increase) line items in the statement of financing to correct for an error in the recordation of bad debt expense.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 19. Restatements, Prior Period Adjustments and Reclassifications - Continued**

**In accordance with SFFAS No. 21, the Department's FY 2000 cumulative results of operations include the following prior period adjustments:**

| | | |
|---|---|---|
| Accounts Payable and Other Liabilities | OJP, INS, BOP | $ 30,621 |
| Accounts Receivable | USMS, BOP | 9,268 |
| Actuarial/Accrued FECA Liabilities | BOP, WCF, OBD | (3,607) |
| Appropriated Capital Used | OJP, BOP | 23,392 |
| Capital Property | FBI, BOP, USMS | 38,086 |
| Construction in Process | BOP | 8,598 |
| Transfers | OJP, AFF, OBD, WCF | (31,216) |
| Unexpended Appropriations | BOP, OJP | 12,159 |
| Other | BOP, WCF, FPI | 3,205 |
| Total Prior Period Adjustment | | $ 90,506 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

**Note 19. Restatements, Prior Period Adjustments and Reclassifications - Continued**

**In FY2001, the Department's reporting components reclassified FY 2000 financial statement line items to conform to the Department's Financial Statement Preparation and Reporting Guide, and the requirements of OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*.** The financial statements and line items affected include the following:

| | | |
|---|---|---|
| Combined Statement of Budgetary Resources: | | |
| Budgetary Resources: | | |
| Unobligated Balance - Beginning of Period | $ | 47,403 |
| Spending Authority from Offsetting Collections | $ | 680,530 |
| Adjustments | $ | (996) |
| Status of Budgetary Resources: | | |
| Obligations Incurred | $ | 711,930 |
| Unobligated Balance Available | $ | 15,007 |

The reclassifications in the statement of budgetary resources are from two sources. The FPI now includes a statement of budgetary resources in its financial statement package; therefore, except for the amounts related to the OBDs as discussed below, all of the reclassifications to the statement of budgetary resources relate to the FPI.

The OBDs presented a consolidated statement of budgetary resources in FY2000; however, the new standards require a combined statement of budgetary resources. Accordingly, the OBDs reclassified the statement of budgetary resources to include $105,373 in the Spending Authority from Offsetting Collections and the Obligations Incurred line items.

(Dollars in Thousands)

## Note 20. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification

**Consolidated Cost and Earned Revenue by Budget Functional Classification**

Fiscal Year Ended September 30, 2001

| Budget Functional Classification | | Gross Costs | Earned Revenue | Net Costs |
|---|---|---|---|---|
| National Defense | 050 | $ 58,067 | $ - | $ 58,067 |
| International Affairs | 150 | 812 | - | 812 |
| Administration of Justice | 750 | 24,504,013 | (3,425,582) | 21,078,431 |
| General Government | 800 | 32 | - | 32 |
| Total | | $ 24,562,924 | $ (3,425,582) | $ 21,137,342 |

Fiscal Year Ended September 30, 2000

| Budget Functional Classification | | Gross Costs | Earned Revenue | Net Costs |
|---|---|---|---|---|
| National Defense | 050 | $ 13,011 | $ - | $ 13,011 |
| International Affairs | 150 | 1,063 | - | 1,063 |
| Administration of Justice | 750 | 24,271,520 | (2,998,500) | 21,273,020 |
| General Government | 800 | (12) | - | (12) |
| Total | | $ 24,285,582 | $ (2,998,500) | $ 21,287,082 |

(Dollars in Thousands)

## Note 20. Consolidated Gross Cost and Earned Revenue by Budget Functional Classification - Continued

### Intragovernmental Gross Cost and Earned Revenue by Budget Functional Classification

Fiscal Year Ended September 30, 2001

| Budget Functional Classification | | Gross Costs | Earned Revenue | Net Costs |
|---|---|---|---|---|
| National Defense | 050 | $ 1,484 | $ - | $ 1,484 |
| International Affairs | 150 | 492 | - | 492 |
| Administration of Justice | 750 | 4,973,290 | (1,129,344) | 3,843,946 |
| General Government | 800 | (113) | - | (113) |
| Total | | $ 4,975,153 | $ (1,129,344) | $ 3,845,809 |

Fiscal Year Ended September 30, 2000

| Budget Functional Classification | | Gross Costs | Earned Revenue | Net Costs |
|---|---|---|---|---|
| National Defense | 050 | $ 1,842 | $ - | $ 1,842 |
| International Affairs | 150 | 995 | - | 995 |
| Administration of Justice | 750 | 4,820,220 | (1,122,180) | 3,698,040 |
| General Government | 800 | 2 | - | 2 |
| Total | | $ 4,823,059 | $ (1,122,180) | $ 3,700,879 |

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 21. Net Custodial Revenue Activity

Debt Collection Management (DCM) is responsible for implementing the provisions of the Federal Debt Recovery Act of 1986, which authorizes the Attorney General to contract with private counsel to help the U.S. Attorneys collect delinquent Federal civil debts. Since FY 1994, the Attorney General has been authorized to credit the WCF up to 3 percent of the total civil cash collections to be used for paying the costs of "processing and tracking" such litigation. DCM is responsible for the operation of the Nationwide Central Intake Facility, the private counsel pilot project, and other projects funded by the 3 percent of the civil debt collections.

The Department also collects the Nonimmigrant Petition Fee with a shared distribution between the Department of Labor and the National Science Foundation. Treasury makes a quarterly distribution from this General Fund Receipts account to the respective agencies. The Department receives 4 percent of the proceeds.

### Note 22. Environmental Cleanup Costs

The FIST-5 (Fuel In Storage Tank 5-Year) Program is a nation-wide effort begun in FY 1995 to upgrade and optimize automotive and aviation bulk fueling capabilities. The Department monitors the environmental cleanup and any required remediation for all its known underground storage tanks. The original FIST-5 proposal indicated that the program would develop and identify new projects as time passes. During the course of the 5-year effort, the FIST-5 program has grown from 41 projects to 91 individual projects. Completed projects total 75, with the remaining 16 projects scheduled for completion over the next 12 -18 months. The total estimated remediation costs decreased from $21,200 in FY 2000 to $18,800 in FY 2001. Of the $18,800, $13,700 has been expended as an accrued liability. The remaining $5,101 has been accrued and is included in the environmental and disposal liability, of which $4,749 is covered and $352 is not covered by budgetary resources at September 30, 2001. FY 2000 environmental and disposal liability was $9,013, of which $5,531 was covered and $3,482 was not covered by budgetary resources. All the Department underground storage tanks have been certified in compliance with the new, more stringent Environmental Protection Agency (EPA) regulations that took effect on December 22, 1999. The fuel tank inventory is complete and current. The FIST-5 Program, as a separate initiative, ended on September 30, 2000. Projects still involved in active remediation will be pursued until successfully completed. Underground storage tanks will be managed, inspected and maintained as part of the routine facility maintenance and repair program activities.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 23. Statement of Budgetary Resources vs Budget of the United States Government

| As of September 30, 2001 | Budgetary Resources | Obligations Incurred | Outlays |
|---|---|---|---|
| Statement of Budgetary Resources (SBR) | $ 32,296,000 | $ 29,332,000 | $ 21,612,000 |
| Funds not Reported in Budget of the United States: | | | |
| USMS Court Security Funds | (185,000) | (163,000) | (207,000) |
| OBDs Health Care Fraud and Abuse Funds | (53,000) | (42,000) | (37,000) |
| DEA, FBI and BOP Expired Funds | (297,000) | (142,000) | - |
| INS Recovery of PY Obligations | (593,000) | (498,000) | - |
| Funds not Reported in SBR: | | | |
| INS Fee Reimbursements | - | - | 1,574,000 |
| Other | (113,000) | 21,000 | 65,000 |
| Budget of the United States | $ 31,055,000 | $ 28,508,000 | $ 23,007,000 |

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States.

The Budget of the United States represents amounts reported to OMB via MAX Budget Information System reports as of January 9, 2002.

## Notes to the Principal Financial Statements
## (Dollars in Thousands)

### Note 23. Statement of Budgetary Resources vs Budget of the United States Government - Continued

| As of September 30, 2000 | Budgetary Resources | Obligations Incurred | Outlays |
|---|---|---|---|
| Restated Statement of Budgetary Resources (SBR) | $ 28,581,000 | $25,628,000 | $ 20,097,000 |
| | | | |
| Funds not Reported in the Budget of the United States: | | | |
| USMS Court Security Funds | (192,000) | (176,000) | (184,000) |
| INS Fee Account Funds | (161,000) | (105,000) | - |
| OBDs Health Care Fraud and Abuse Funds | (40,000) | (40,000) | (35,000) |
| DEA and BOP Expired Funds | (226,000) | (54,000) | 18,000 |
| INS Recovery of PY Obligations | (50,000) | (50,000) | - |
| | | | |
| Funds not Reported in SBR: | | | |
| OBDs Court Services and Offender Supervision Funds | 100,000 | 95,000 | 14,000 |
| | | | |
| Other | (131,000) | (92,000) | (42,000) |
| | | | |
| Budget of the United States | $ 27,881,000 | $25,206,000 | $ 19,868,000 |

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department SBR and the Budget of the United States.

## U.S. Department of Justice

### Supplemental Financial and Management's Information
Unaudited

**Department of Justice**
**Required Supplementary Information**
**Consolidated Intra-governmental Assets**
**As of September 30, 2001**

| Trading Partner | Fund Balance with Treasury | Investments | Accounts Receivable | Advances and Other Assets |
|---|---|---|---|---|
| 20 U. S. Treasury | $ 19,803,411 | $ 1,398,665 | $ 8,386 | $ - |
| 03 Library of Congress | - | - | 3 | - |
| 04 Government Printing Office | - | - | - | 483 |
| 09 U. S. House of Representatives | - | - | 2 | - |
| 10 The Judiciary | - | - | 964 | - |
| 11 Executive Office of the President | - | - | 363 | - |
| 12 Department of Agriculture | - | - | 2,485 | - |
| 13 Department of Commerce | - | - | 161 | 1,943 |
| 14 Department of Interior | - | - | 4,675 | - |
| 16 Department of Labor | - | - | (49) | - |
| 17 Department of Navy | - | - | 12,421 | 19,228 |
| 18 U. S. Postal Service | - | - | 2,587 | - |
| 19 Department of State | - | - | 36,504 | 32,168 |
| 21 Department of Army | - | - | 6,490 | - |
| 23 United States Courts | - | - | 1 | - |
| 24 Office of Personnel | - | - | 2,252 | - |
| 26 Thrift Investment Board | - | - | (5) | - |
| 27 Federal Communications Commission | - | - | 5 | - |
| 28 Social Security Administration | - | - | 2,018 | - |
| 29 Federal Trade Commission | - | - | 5,923 | - |
| 31 Nuclear Regulatory Commission | - | - | 57 | - |
| 33 Smithsonian Institute | - | - | 9 | - |
| 36 Department of Veterans Affairs | - | - | 1,744 | - |
| 45 U. S. Equal Employment Opportunity Commission | - | - | 164 | - |
| 47 General Services Administration | - | - | 483 | 221 |
| 49 National Science Foundation | - | - | - | 30 |
| 50 Securities and Exchange Commission | - | - | 1,197 | - |
| 51 Federal Deposit Insurance Coporation | - | - | 65 | - |
| 54 Federal Labor Relations | - | - | 3 | - |
| 56 Central Intelligence Agency | - | - | 1,124 | - |
| 57 Department of the Air Force | - | - | 7,391 | - |
| 58 Federal Emergency Management Agency | - | - | 392 | - |
| 61 Consumer Product Safety Commission | - | - | 40 | - |
| 63 National Labor Relations Board | - | - | 21 | - |
| 64 Tennessee Valley Authority | - | - | 3 | - |
| 68 Environmental Protection Agency | - | - | 10,725 | - |
| 69 Department of Transportation | - | - | 321 | - |
| 72 Agency for International Development | - | - | 10,045 | - |
| 73 Small Business Administration | - | - | 5 | - |
| 75 Department of Health and Human Services | - | - | 2,381 | 599 |
| 80 National Aeronautics and Space Administration | - | - | (96) | 135 |
| 86 Department of Housing and Urban Development | - | - | 295 | - |
| 88 National Archives and Records Administration | - | - | (14) | - |
| 89 Department of Energy | - | - | 265 | - |
| 90 Selective Service System | - | - | (14) | - |
| 91 Department of Education | - | - | 58 | - |
| 95 Independent Agencies | - | - | 43 | - |
| 96 U. S. Army Corps of Engineer | - | - | 2,559 | 613 |
| 97 Office of the Secretary of Defense-Defense Agencies | - | - | 99,930 | 1,851 |
| 00 Unapplied Total | - | - | 8,134 | 27,645 |
| **Total** | **$ 19,803,411** | **$ 1,398,665** | **$ 232,516** | **$ 84,916** |

**Department of Justice**
**Required Supplementary Information**
**Consolidated Intra-governmental Assets**
**As of September 30, 2000**

| Trading Partner | Fund Balance with Treasury | Investments | Accounts Receivable | Advances and Other Assets |
|---|---|---|---|---|
| 20 U. S. Treasury | $ 18,394,741 | $ 1,380,637 | $ 22,127 | $ - |
| 04 Government Printing Office | - | - | 1 | 715 |
| 10 The Judiciary | - | - | 5,975 | - |
| 11 Executive Office of the President | - | - | 1,159 | - |
| 12 Department of Agriculture | - | - | 1,411 | - |
| 13 Department of Commerce | - | - | 548 | 1,191 |
| 14 Department of Interior | - | - | 4,247 | - |
| 16 Department of Labor | - | - | 18 | - |
| 17 Department of Navy | - | - | 3,208 | 5,988 |
| 18 U. S. Postal Service | - | - | 4,179 | - |
| 19 Department of State | - | - | 18,674 | 29,095 |
| 21 Department of Army | - | - | 119 | - |
| 23 United States Courts | - | - | 233 | - |
| 24 Office of Personnel | - | - | 616 | 354 |
| 26 Thrift Investment Board | - | - | 221 | - |
| 27 Federal Communications Commission | - | - | 55 | - |
| 28 Social Security Administration | - | - | 7,311 | - |
| 29 Federal Trade Commission | - | - | 466 | - |
| 31 Nuclear Regulatory Commission | - | - | 52 | - |
| 33 Smithsonian Institute | - | - | 23 | - |
| 36 Department of Veterans Affairs | - | - | 1,258 | - |
| 41 Merit System Protection Board | - | - | 19 | - |
| 45 U. S. Equal Employment Opportunity Commission | - | - | 1,647 | - |
| 47 General Services Administration | - | - | 9,376 | 146 |
| 50 Securities and Exchange Commission | - | - | 525 | - |
| 51 Federal Deposit Insurance Coporation | - | - | 4 | - |
| 56 Central Intelligence Agency | - | - | 2,591 | - |
| 57 Department of the Air Force | - | - | 4,497 | - |
| 58 Federal Emergency Management Agency | - | - | 129 | - |
| 61 Consumer Product Safety Commission | - | - | 32 | - |
| 63 National Labor Relations Board | - | - | 122 | - |
| 64 Tennessee Valley Authority | - | - | 19 | - |
| 67 United States Information Agency | - | - | 15 | - |
| 68 Environmental Protection Agency | - | - | 12,264 | - |
| 69 Department of Transportation | - | - | 1,720 | - |
| 72 Agency for International Development | - | - | 3,254 | - |
| 73 Small Business Administration | - | - | 24 | - |
| 75 Department of Health and Human Services | - | - | 1,874 | 5,258 |
| 80 National Aeronautics and Space Administration | - | - | 56 | - |
| 86 Department of Housing and Urban Development | - | - | 60 | - |
| 88 National Archives and Records Administration | - | - | 8 | - |
| 89 Department of Energy | - | - | 177 | - |
| 91 Department of Education | - | - | 1,341 | - |
| 95 Independent Agencies | - | - | 262 | 13,786 |
| 96 U. S. Army Corps of Engineer | - | - | - | 42 |
| 97 Office of the Secretary of Defense-Defense Agencies | - | - | 99,561 | 1,923 |
| 00 Unapplied Total | - | - | 1,111 | 4,591 |
| Total | $ 18,394,741 | $ 1,380,637 | $ 212,589 | $ 63,089 |

**Department of Justice**
**Required Supplementary Information**
**Consolidated Intra-governmental Liabilities**
**As of September 30, 2001**

| Trading Partner | Accounts Payable | Accrued FECA | Debt | Custodial and Other Liabilities |
|---|---|---|---|---|
| 04 Government Printing Office | $ 1,674 | $ - | $ - | $ - |
| 10 The Judiciary | 2,405 | - | - | - |
| 11 Executive Office of the President | - | - | - | 61,883 |
| 12 Department of Agriculture | 2,652 | - | - | - |
| 13 Department of Commerce | 1,340 | - | - | - |
| 14 Department of Interior | 410 | - | - | 50 |
| 16 Department of Labor | 10,190 | 201,249 | - | 1,457 |
| 17 Department of Navy | 1,860 | - | - | - |
| 18 U. S. Postal Service | 1,704 | - | - | - |
| 19 Department of State | 19,158 | - | - | 1,951 |
| 20 Department of the Treasury | 6,637 | - | 20,000 | 261,227 |
| 21 Department of the Army | 8,841 | - | - | - |
| 23 United States Courts | 2,901 | - | - | - |
| 24 Office of Personnel Management | 11,333 | - | - | 94,489 |
| 26 Federal Retirement Thrift Investment Board | 190 | - | - | - |
| 28 Social Security Administration | - | - | - | 6,404 |
| 29 Federal Trade Commission | 106 | - | - | - |
| 36 Department of Veterans Affairs | 2,691 | - | - | - |
| 45 U. S. Equal Employment Opportunity Commission | 473 | - | - | - |
| 47 General Services Administration | 152,456 | - | - | 2 |
| 51 Federal Deposit Insurance Corporation | - | - | - | 66,185 |
| 56 Central Intelligence Agency | 159 | - | - | 85 |
| 57 Department of the Air Force | 875 | - | - | - |
| 59 National Endowment for the Arts | - | - | - | 72 |
| 69 Department of Transportation | 4,564 | - | - | 68 |
| 75 Department of Health and Human Services | 6,567 | - | - | 8,692 |
| 86 Federal Housing and Urban Develpoment | - | - | - | 217 |
| 89 Department of Energy | 988 | - | - | - |
| 91 Department of Education | - | - | - | 2,711 |
| 95 Independent Agencies | - | - | - | 2,094 |
| 96 U. S. Army Corps of Engineers | 5,795 | - | - | - |
| 97 Office of the Secretary of Defense-Defense Agencies | 15,277 | - | - | 23,064 |
| 00 Unapplied Total | 7,239 | - | - | 231,075 |
| **Total** | $ 268,485 | $ 201,249 | $ 20,000 | $ 761,726 |

The Custodial and Other Liabilities Unapplied Total balance primarily represents custodial collections which lack the necessary elements of information to identify the ultimate recipient as of year end.

**Department of Justice**
**Required Supplementary Information**
**Consolidated Intra-governmental Liabilities**
**As of September 30, 2000**

| Trading Partner | Accounts Payable | Accrued FECA | Debt | Custodial and Other Liabilities |
|---|---|---|---|---|
| 03 Library of Congress | $ 23 | $ - | $ - | $ - |
| 04 Government Printing Office | 2,504 | - | - | - |
| 11 Executive Office of the President | - | - | - | 9,181 |
| 12 Department of Agriculture | 4,478 | - | - | 2,962 |
| 13 Department of Commerce | 258 | - | - | 122 |
| 14 Department of Interior | 255 | - | - | 329 |
| 16 Department of Labor | 125 | 183,495 | - | 608 |
| 17 Department of Navy | 1,198 | - | - | 426 |
| 18 U. S. Postal Service | 1,175 | - | - | - |
| 19 Department of State | 4,286 | - | - | - |
| 20 Department of the Treasury | 4,172 | - | 20,000 | 68,427 |
| 21 Department of the Army | 13,600 | - | - | - |
| 23 United States Courts | 2,366 | - | - | - |
| 24 Office of Personnel Management | 3,673 | - | - | 88,212 |
| 28 Social Security Administration | 109 | - | - | - |
| 29 Federal Trade Commission | 77 | - | - | - |
| 33 Smithsonian Institute | 5 | - | - | - |
| 36 Department of Veterans Affairs | 550 | - | - | - |
| 45 U. S. Equal Employment Opportunity Commission | 82 | - | - | - |
| 47 General Services Administration | 142,251 | - | - | 25,760 |
| 49 National Science Foundation | 5 | - | - | - |
| 51 Federal Deposit Insurance Corporation | - | - | - | 36,812 |
| 54 Federal Labor Relations Board | 7 | - | - | - |
| 56 Central Intelligence Agency | 6,545 | - | - | 571 |
| 57 Department of the Air Force | 26 | - | - | - |
| 58 Federal Emergency Management Agency | - | - | - | 144 |
| 68 Environmental Protection Agency | - | - | - | 1,361 |
| 69 Department of Transportation | 2,898 | - | - | 257 |
| 73 Small Business Administration | - | - | - | 267 |
| 75 Department of Health and Human Services | 51,521 | - | - | 7,551 |
| 80 National Aeronautics and Space Administration | - | - | - | 3,404 |
| 83 Export-Import Bank of the United States | - | - | - | 1,571 |
| 86 Federal Housing and Urban Development | 363 | - | - | 420 |
| 88 National Archives and Records Administration | 375 | - | - | - |
| 89 Department of Energy | 3 | - | - | - |
| 91 Department of Education | - | - | - | 2,708 |
| 95 Independent Agencies | 126 | - | - | 3,253 |
| 96 U. S. Army Corps of Engineers | 13,587 | - | - | - |
| 97 Office of the Secretary of Defense-Defense Agencies | 1,431 | - | - | 5,718 |
| 00 Unapplied Total | 18,356 | - | - | 219,170 |
| Total | $ 276,430 | $ 183,495 | $ 20,000 | $ 479,234 |

The Custodial and Other Liabilities Unapplied Total balance primarily represents custodial collections which lack the necessary elements of information to identify the ultimate recipient as of year end.

**Department of Justice**
**Required Supplementary Information**
**Consolidated Intra-governmental Earned Revenue/Other Financing Sources**
**For Fiscal Year Ended September 30, 2001**

| Trading Partner | Earned Revenue | Imputed Financing Sources | Transfers-In | Transfers-Out | Non-Exchange Revenue and Other Financing Sources |
|---|---|---|---|---|---|
| 03 Library of Congress | $ 8 | $ - | $ - | $ - | $ - |
| 04 Government Printing Office | 13 | - | - | - | - |
| 05 General Accounting Office | 6 | - | - | - | - |
| 09 United States House of Representatives | 2 | - | - | - | - |
| 10 The Judiciary | 6,802 | - | - | - | 539,000 |
| 11 Executive Office of the President | 31,633 | - | 290 | - | - |
| 12 Department of Agriculture | 13,297 | - | 76 | - | - |
| 13 Department of Commerce | 2,789 | - | - | - | - |
| 14 Department of Interior | 12,063 | - | - | - | - |
| 16 Department of Labor | 1,751 | - | - | - | - |
| 17 Department of Navy | 43,040 | - | 1 | - | - |
| 18 U. S. Postal Service | 21,136 | - | - | (5) | - |
| 19 Department of State | 75,607 | - | - | (18) | - |
| 20 Department of the Treasury | 57,370 | 53,416 | - | (28,538) | 52,158 |
| 21 Department of the Army | 40,682 | - | 12,775 | - | - |
| 23 United States Courts | 3 | - | - | - | - |
| 24 Office of Personnel Management | 12,230 | 521,999 | - | - | - |
| 25 National Credit Union Association | 3 | - | - | - | - |
| 27 Federal Communications Commission | 174 | - | - | - | - |
| 28 Social Security Administration | 29,972 | - | - | - | - |
| 29 Federal Trade Commission | 86,404 | - | - | - | - |
| 31 United States Nuclear Regulatory Commission | 183 | - | - | - | - |
| 33 Smithsonian Institute | 41 | - | - | - | - |
| 34 International Trade Commission | 16 | - | - | - | - |
| 36 Department of Veterans Affairs | 7,621 | - | - | - | - |
| 41 Merit System Protection Board | 2 | - | - | - | - |
| 45 U. S. Equal Employment Opportunity Commission | 270 | - | - | - | - |
| 47 General Services Administration | 40,166 | - | - | (67) | - |
| 50 Securities and Exchange Commission | 2,163 | - | - | - | - |
| 51 Federal Deposit Insurance Corporation | 30,913 | - | - | - | - |
| 54 Federal Labor Relations Authority | 24 | - | - | - | - |
| 56 Central Intelligence Agency | 2,453 | - | - | - | - |
| 57 Department of the Air Force | 34,251 | - | - | - | - |
| 58 Federal Emergency Management Agency | 845 | - | - | - | - |
| 59 National Foundation on the Arts & Humanities | 242 | - | - | - | - |
| 61 Consumer Product Safety Commission | 96 | - | - | - | - |
| 62 Office of Special Counsel | 1 | - | - | - | - |
| 63 National Labor Relations Board | 165 | - | - | - | - |
| 64 Tennessee Valley Authority | 17 | - | - | - | - |
| 65 Federal Maritime Commission | 11 | - | - | - | - |
| 67 United States Information Agency | 40 | - | - | - | - |
| 68 Environmental Protection Agency | 30,983 | - | - | - | - |
| 69 Department of Transportation | 8,027 | - | - | - | - |
| 72 Agency for International Development | 5,857 | - | - | - | - |
| 73 Small Business Administration | 38 | - | - | - | - |
| 75 Department of Health and Human Services | 97,878 | - | - | (17,000) | - |
| 78 Farm Credit | 8 | - | - | - | - |
| 80 National Aeronautics and Space Administration | 848 | - | - | - | - |
| 86 Department of Housing and Urban Development | 939 | - | - | - | - |
| 88 National Archives & Records Administration | 40 | - | - | - | - |
| 89 Department of Energy | 2,340 | - | - | - | - |
| 90 Selective Service System | 181 | - | - | - | - |
| 91 Department of Education | 2,434 | - | - | - | - |
| 95 Independent Agencies | 706 | - | - | - | - |
| 96 U. S. Army Corps of Engineers | 10,048 | - | - | - | - |
| 97 Office of the Secretary of Defense-Defense Agencies | 358,781 | - | 43,979 | - | - |
| 00 Unapplied Total | 55,731 | - | 90,774 | (2,503) | (2,350) |
| **Total** | $ 1,129,344 | $ 575,415 | $ 147,895 | $ (48,131) | $ 588,808 |

| Related Gross Cost to Generate Earned Revenue by Budget Functional Classification | Gross Cost to Generate Revenue |
|---|---|
| 750 - Administration of Justice | $ 1,129,344 |

The Transfers In Unapplied Total balance primarily represents the value of authorized transfers-in to the WCF from unobligated balances of other DOJ appropriations pursuant to the FY 1992 Appropriations Act, P.L. 102-140. It is presented as unapplied because it is not eliminated in DOJ consolidated financial statement. The balance is not eliminated because the other DOJ appropriations record a reduction of unexpended appropriations not a transfer-out.

## Department of Justice
## Required Supplementary Information
## Consolidated Intra-governmental Earned Revenue/Other Financing Sources
## For Fiscal Year Ended September 30, 2000

| Trading Partner | Earned Revenue Restated | Imputed Financing Sources | Transfers-In | Transfers-Out | Non-Exchange Revenue and Other Financing Sources |
|---|---|---|---|---|---|
| 03 Library of Congress | $ 1 | $ - | $ - | $ - | $ - |
| 04 Government Printing Office | 37 | - | - | - | - |
| 05 General Accounting Office | 7 | - | - | - | - |
| 09 United States House of Representatives | (4) | - | - | - | - |
| 10 The Judiciary | 5,469 | - | - | - | 778,491 |
| 11 Executive Office of the President | 5,443 | - | - | - | - |
| 12 Department of Agriculture | 9,860 | - | - | - | - |
| 13 Department of Commerce | 7,511 | - | - | - | - |
| 14 Department of Interior | 11,164 | - | - | - | - |
| 16 Department of Labor | 1,869 | - | - | - | - |
| 17 Department of Navy | 8,803 | - | - | - | - |
| 18 U. S. Postal Service | 22,764 | - | - | - | - |
| 19 Department of State | 60,470 | - | - | - | - |
| 20 Department of the Treasury | 111,196 | 33,406 | - | (24,331) | 61,505 |
| 21 Department of the Army | 67 | - | - | - | - |
| 23 United States Courts | 301 | - | - | - | - |
| 24 Office of Personnel Management | 15,008 | 473,035 | - | - | - |
| 25 National Credit Union Association | 5 | - | - | - | - |
| 26 Thrift Investment Board | 2,603 | - | - | - | - |
| 27 Federal Communications Commission | 175 | - | - | - | - |
| 28 Social Security Administration | 9,506 | - | - | - | - |
| 29 Federal Trade Commission | 106,914 | - | - | - | - |
| 31 United States Nuclear Regulatory Commission | 163 | - | - | - | - |
| 33 Smithsonian Institute | 182 | - | - | - | - |
| 34 International Trade Commission | 19 | - | - | - | - |
| 36 Department of Veterans Affairs | 6,207 | - | - | - | - |
| 41 Merit System Protection Board | 134 | - | - | - | - |
| 45 U. S. Equal Employment Opportunity Commission | 1,637 | - | - | - | - |
| 47 General Services Administration | 29,274 | - | - | (295) | - |
| 48 Independent Agencies | 2,949 | - | - | - | - |
| 49 National Science Foundation | 7 | | | - | - |
| 50 Securities and Exchange Commission | 878 | - | - | - | - |
| 51 Federal Deposit Insurance Corporation | 63 | - | - | - | - |
| 56 Central Intelligence Agency | 2,433 | - | - | - | - |
| 57 Department of the Air Force | 8,817 | - | - | - | - |
| 58 Federal Emergency Management Agency | 779 | - | - | - | - |
| 61 Consumer Product Safety Commission | 128 | - | - | - | - |
| 63 National Labor Relations Board | 641 | - | - | - | - |
| 64 Tennessee Valley Authority | 25 | - | - | - | - |
| 67 United States Information Agency | 928 | - | - | - | - |
| 68 Environmental Protection Agency | 31,191 | - | - | - | - |
| 69 Department of Transportation | 8,303 | - | - | - | - |
| 72 Agency for International Development | 15,416 | - | - | - | - |
| 73 Small Business Administration | 78 | - | - | - | - |
| 75 Department of Health and Human Services | 89,545 | - | - | - | - |
| 78 Farm Credit | 1 | - | - | - | - |
| 80 National Aeronautics and Space Administration | 341 | - | - | - | - |
| 84 Armed Forces Retirement Home | 1 | - | - | - | - |
| 86 Department of Housing and Urban Development | 1,056 | - | - | - | - |
| 88 National Archives & Records Administration | 374 | - | - | - | - |
| 89 Department of Energy | 877 | - | - | - | - |
| 90 Selective Service System | 16 | - | - | - | - |
| 91 Department of Education | 1,431 | - | - | - | - |
| 95 Independent Agencies | 690 | - | - | - | - |
| 96 U. S. Army Corps of Engineers | 9,393 | - | - | - | - |
| 97 Office of the Secretary of Defense-Defense Agencies | 368,549 | - | 480 | - | - |
| 00 Unapplied Total | 160,485 | - | 122,810 | (10,062) | - |
| Total | $ 1,122,180 | $ 506,441 | $ 123,290 | $ (34,688) | $ 839,996 |

| Related Gross Cost to Generate Earned Revenue by Budget Functional Classification | Gross Cost to Generate Revenue |
|---|---|
| 750 - Administration of Justice | $ 1,122,180 |

The Transfers In Unapplied Total balance primarily represents the value of authorized transfers-in to the WCF from unobligated balances of other DOJ appropriations pursuant to the FY 1992 Appropriations Act, P.L. 102-140. It is presented as unapplied because it is not eliminated in DOJ consolidated financial statement. The balance is not eliminated because the other DOJ appropriations record a reduction of unexpended appropriations not a transfer-out.

**Department of Justice**
**Required Supplementary Information**
**Consolidated Intra-governmental Gross Cost**
**For Fiscal Years Ended September 30, 2001 and 2000**

| Trading Partner | | Restated |
|---|---|---|
| 03 Library of Congress | $ 727 | $ 1,355 |
| 04 Government Printing Office | 11,986 | 14,386 |
| 09 United States House of Representatives | 194 | - |
| 10 The Judiciary | 2,363 | 694 |
| 11 Executive Office of the President | 20,301 | 35 |
| 12 Department of Agriculture | 15,608 | 242,439 |
| 13 Department of Commerce | 38,135 | 49,205 |
| 14 Department of Interior | 4,580 | 14,095 |
| 16 Department of Labor | 106,740 | 125,109 |
| 17 Department of Navy | 17,553 | 11,793 |
| 18 U. S. Postal Service | 32,425 | 26,348 |
| 19 Department of State | 56,587 | 55,742 |
| 20 Department of the Treasury | 479,950 | 555,173 |
| 21 Department of the Army | 13,901 | 21,456 |
| 23 United States Courts | 2,817 | 4,864 |
| 24 Office of Personnel Management | 2,157,407 | 1,858,162 |
| 26 Thrift Investment Board | 185 | 20,979 |
| 27 Federal Communications Commission | 47 | - |
| 28 Social Security Administration | 97,781 | 1,248 |
| 29 Federal Trade Commission | 478 | 162 |
| 33 Smithsonian Institute | - | 5 |
| 36 Department of Veterans Affairs | 37,183 | 29,614 |
| 45 U. S. Equal Employment Opportunity Commission | 257 | 88 |
| 47 General Services Administration | 1,534,799 | 1,485,916 |
| 48 Independent Agencies | 5 | - |
| 49 National Science Foundation | 102 | 81 |
| 51 Federal Deposit Insurance Corporation | 155 | 502 |
| 54 Federal Labor Relations Authority | - | 7 |
| 56 Central Intelligence Agency | 4,005 | 9,981 |
| 57 Department of the Air Force | 8,263 | 8,798 |
| 58 Federal Emergency Management Agency | 727 | 7 |
| 68 Environmental Protection Agency | - | 1 |
| 69 Department of Transportation | 16,049 | 12,912 |
| 73 Small Business Administration | - | 210 |
| 75 Department of Health and Human Services | 79,267 | 98,861 |
| 80 National Aeronautics and Space Administration | 360 | 678 |
| 86 Department of Housing and Urban Development | 25 | - |
| 88 National Archives & Records Administration | 28 | 348 |
| 89 Department of Energy | 18,428 | 12,103 |
| 91 Department of Education | 14,295 | 22,839 |
| 93 Federal Mediation & Council Service | 160 | - |
| 95 Independent Agencies | 11 | 36,554 |
| 96 U. S. Army Corps of Engineers | 35,014 | 16,374 |
| 97 Office of the Secretary of Defense-Defense Agencies | 105,618 | 22,600 |
| 00 Unapplied Total | 60,637 | 61,335 |
| **Total** | $ 4,975,153 | $ 4,823,059 |

**Department of Justice**
**Required Supplementary Information**
**Consolidated Deferred Maintenance**
**For Fiscal Years Ending September 30, 2001 and 2000**

Deferred Maintenance for fiscal years ending September 30, 2001 and 2000, was $10.8 and $13.2 million, respectively. These amounts were determined using the requirements set fourth by the Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant and Equipment as amended by SFFAS No. 14, Amendments to Deferred Maintenance Reporting. The Immigration and Naturalization Service (INS) management estimates that these amounts will be required to service and repair property, plant and equipment including vehicles, aircraft, buildings and other structures. Consistent with SFFAS No. 6, INS management estimated the amounts of deferred maintenance based on the Total Life-Cycle Cost Method, calculated as follows as amended by SFFAS No. 14.

| Dollars in thousands | FY 2001 | FY 2000 |
|---|---|---|
| Initial Requirement | $ 45,600 | $ 45,600 |
| (Less) Maintenance Performed | (6,795) | (4,911) |
| Total Net Requirement | $ 38,805 | $ 40,689 |
| (Less) Actual Funded | (27,967) | (27,518) |
| Total Deferred Maintenance | $ 10,838 | $ 13,171 |

# Department of Justice
## Required Supplementary Information
## Consolidated Stewardship Investments
## For Fiscal Years Ended September 30, 2001, 2000, 1999 and 1998

The Violent Offender Incarceration and Truth-n-Sentencing (VOI/TIS) Grant Program, which is administered by OJP's Corrections Program Office (CPO), provides grants to "states," which includes any state of the 50 United States, the District of Columbia, Puerto Rico, Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands, for the purposes of building or expanding correctional facilities and jails to increase secure confinement space for violent offenders

VOI/TIS funds are available for the following purposes:

- Build or expand correctional facilities to increase the bed capacity for the confinement of persons convicted of a Part 1 violent crime or adjudicated delinquent for an act which, if committed by an adult, would be a Part 1 violent crime. NOTE: Part I violent crime includes murder and non-negligent manslaughter, forcible rape, robbery, and aggravated assault as reported to the Federal Bureau of Investigation for purposes of the Uniform Crime Reports (UCR).

- Build or expand temporary or permanent correctional facilities, including facilities on military bases, prison barges, and boot camps, for the confinement of convicted nonviolent offenders and criminal aliens, for the purpose of freeing suitable existing prison space for the confinement of persons convicted of a Part 1 violent crime.

- Build or expand jails.

- Additionally, since FY 1999, up to 10 percent of a State's VOI/TIS award may be applied to the costs of offender drug testing or intervention programs during periods of incarceration and post-incarceration criminal justice supervision and/or pay the costs of providing the required reports on prison drug use.

The facilities built or expanded with these funds constitute nonfederal physical property. Amounts reflect expenditures.

| Dollars in Thousands | FY 2001 | FY 2000 | FY 1999 | FY 1998 |
|---|---|---|---|---|
| Cooperative Agreement Program Administered by US Marshals Service | $20,171 | $27,152 | $9,515 | $25,000 |
| Discretionary Grants to Indian Tribes | 7,000 | 2,943 | 1,387 | 1,367 |
| Formula Grants to States | 246,648 | 319,941 | 82,445 | 204,536 |
| Total | $273,819 | $350,036 | $93,347 | $230,903 |

As of September 30, 20[illegible] VOI/TIS funding has supported the creation of 21,265 new beds. In addition, 25,832 beds are currently under construction and another 2,158 are being leased. In FY 2001, CPO reached its goal of supporting 30 states in implementing truth-in-sentencing reforms.

## Department of Justice
## Required Supplementary Information
## Consolidated Intra-governmental Revolving Fund
## As of and For Fiscal Years Ended September 30, 2001 and 2000

The Department has three intragovernmental revolving funds, 15X4526 - Working Capital Fund (WCF), 15X4500 - Federal Prison Industries (FPI), and 15X4275 - Justice Prisoner and Alien Transportation System (JPATS). The WCF and FPI are both presented as separate reporting entities in the principal financial statements. The JPATS is included in the U.S.Marshal Service. The JPATS is responsible for transporting by air all Federal prisoners and detainees, including sentenced, pretrial, and illegal aliens, whether in cusody of the U.S. Marshal Service, the Bureau of Prisons, or the Immigration and Naturalization Service. JPATS also provides prisoner transportation to the Department of Defense and State and Local law enforcement on a space available basis. JPATS will transport prisoners and detainees in a cost effective manner without sacrificing the safety of the public, Federal employees, or those in custody. Proceeds from the disposal of aircraft are deposited into the JPATS Fund. FYs 2001 and 2000 JPATS condensed financial information about assets, liabilities, net position, gross cost, exchange revenues and net cost of operations is presented below:

| Dollars in Thousands | | 2001 | | 2000 |
|---|---|---|---|---|
| Fund Balance with U.S. Treasury | $ | 26,731 | $ | 19,703 |
| Accounts Receivable | | 20,811 | | 4,738 |
| Property, Plant and Equipment | | 19,142 | | 23,359 |
| Other Assets | | 7,971 | | 7,976 |
| Accounts Payable | | 11,170 | | 8,916 |
| Accrued Payroll and Benefits | | 932 | | 813 |
| Cumulative Results of Operations | | 62,553 | | 46,047 |
| Cost of Operations | | 81,055 | | 79,451 |
| Exchange Revenues | | (84,091) | | (73,311) |
| Net Cost of Operations | | (3,036) | | 6,140 |

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**DEPARTMENT OF JUSTICE**
**Consolidating Balance Sheet**
**As of September 30, 2001**

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| Intragovernmental | | | | | | | | | | | | |
| Fund Balance with U.S. Treasury | $ 31,447 | $ 1,010,050 | $ 3,599,540 | $ 367,083 | $ 8,984,586 | $ 545,288 | $ 981,533 | $ 2,222,801 | $ 2,084,788 | $ 26,197 | $ - | $ 19,803,411 |
| Investments, Net | 1,137,697 | - | 141,173 | - | - | - | - | - | 91,586 | 28,200 | - | 1,398,686 |
| Accounts Receivable, Net | 2,769 | 84,566 | 148,833 | 50,558 | 35, | 37,056 | 176,227 | 36,542 | 6,470 | 79,945 | (380,799) | 232,516 |
| Other Assets | 8,880 | 373 | 658,934 | - | 48,144 | 32,934 | 26,989 | 35,023 | 7,664 | - | (731,825) | 64,916 |
| Total Intragovernmental | 1,178,593 | 1,094,979 | 4,548,480 | 417,641 | 9,013,087 | 615,280 | 1,184,759 | 2,294,486 | 2,180,505 | 134,342 | (1,122,624) | 21,519,508 |
| Accounts Receivable, Net | - | 2 | 34,157 | 583 | - | 1,435 | 22,020 | 32,586 | 17,624 | 8,423 | - | 116,809 |
| Cash and Other Monetary Assets | 23,388 | - | 76 | 30 | 10 | 7,227 | 64,821 | 38,103 | 32,577 | - | - | 164,212 |
| Inventory and Related Property, Net | - | 447 | - | 7,971 | - | 15,431 | 2,886 | - | 11,330 | 140,767 | - | 178,842 |
| General Property, Plant and Equipment, Net | - | 13,874 | 4,071 | 175,848 | 16,373 | 193,889 | 541,737 | 447,200 | 4,951,984 | 132,094 | - | 6,476,848 |
| Forfeited Property, Net | 58,843 | - | - | - | - | - | - | - | - | - | - | 58,843 |
| Advances and Prepayments | 3 | 17 | 82,641 | 16 | 671,988 | 10,389 | 39,712 | 344 | 4,638 | - | - | 809,748 |
| Other Assets | - | - | - | | - | - | - | - | - | 1,831 | - | 1,831 |
| **Total Assets** | $1,258,807 | $1,109,319 | $ 4,669,428 | $ 601,867 | $ 9,701,468 | $ 843,651 | $ 1,886,746 | $ 2,810,898 | $7,178,838 | $ 417,457 | $ (1,122,624) | $ 29,324,241 |
| **LIABILITIES** | | | | | | | | | | | | |
| Intragovernmental | | | | | | | | | | | | |
| Accounts Payable | $ 88,950 | $ 114,931 | $ 166,321 | $ 20,103 | $ 19,521 | $ 18,729 | $ 43,991 | $ 139,385 | $ 38,040 | $ 11,333 | $ (380,799) | $ 268,485 |
| Accrued FECA Liabilities | - | 484 | 6,304 | 11,293 | 5 | 20,979 | 24,641 | 72,797 | 63,944 | 799 | - | 201,249 |
| Debt | - | - | - | - | - | - | - | - | - | 20,000 | - | 20,000 |
| Custodial Liability | - | 267,399 | - | - | - | 1,259 | - | 2,622 | - | - | - | 271,280 |
| Other Liabilities | - | 197,028 | 86,933 | 61,088 | 714,300 | 17,019 | 33,141 | 28,582 | 37,046 | 47,134 | (731,825) | 490,446 |
| Total Intragovernmental | 83,950 | 579,842 | 259,558 | 92,484 | 733,829 | 57,986 | 101,773 | 243,386 | 139,030 | 79,266 | (1,122,624) | 1,251,480 |
| Accounts Payable | 37,528 | 40,959 | 527,616 | 159,785 | 396,122 | 77,171 | 143,958 | 272,892 | 302,942 | 32,904 | - | 1,991,875 |
| Actuarial FECA Liabilities | - | 2,680 | 39,010 | 69,104 | 54 | 130,951 | 147,993 | 418,724 | 377,095 | 7,979 | - | 1,193,590 |
| Accrued Payroll and Benefits | - | 2,500 | 82,014 | 19,351 | 4,167 | 40,754 | 118,413 | 120,672 | 95,129 | 9,451 | - | 492,451 |
| Accrued Annual and Compensatory Leave | - | 3,784 | 109,802 | 22,284 | 4,253 | 56,661 | 166,833 | 113,080 | 106,117 | 7,537 | - | 590,331 |
| Environmental Cleanup Cost | - | - | - | - | - | - | - | 5,101 | - | - | - | 5,101 |
| Deferred Revenue | 50,450 | 973 | - | - | - | 60,143 | - | 622,984 | 1,175 | - | - | 735,705 |
| Seized Cash and Monetary Assets | 536,522 | - | - | - | - | 584 | 46,332 | - | - | - | - | 583,438 |
| Contingent Liabilities | - | - | - | - | - | 2,049 | 11,036 | 59,537 | - | 1,300 | - | 73,922 |
| Capital Lease Liabilities | - | - | - | 9,199 | 585 | 91 | 1,074 | - | 72,505 | 221 | - | 83,675 |
| Other Liabilities | 21,311 | 43,530 | - | - | 2,222 | 72 | 2,935 | 192,847 | 37,669 | - | - | 300,586 |
| **Total Liabilities** | $ 732,761 | $ 674,268 | $ 1,018,000 | $ 372,207 | $ 1,141,232 | $ 426,462 | $ 740,346 | $ 2,049,163 | $1,131,862 | $ 138,668 | $ (1,122,624) | $ 7,302,134 |
| **NET POSITION** | | | | | | | | | | | | |
| Unexpended Appropriations | $ - | $ - | $ 3,610,220 | $ 135,953 | $ 6,538,484 | $ 426,018 | $ 899,677 | $ 892,960 | $ 1,622,037 | $ - | $ - | $ 14,125,349 |
| Cumulative Results of Operations | 525,846 | 435,051 | 41,205 | 93,707 | 2,021,742 | (8,829) | 215,723 | (131,425) | 4,424,939 | 278,799 | - | 7,896,758 |
| **Total Net Position** | $ 525,846 | $ 435,051 | $ 3,651,425 | $ 229,660 | $ 8,560,226 | $ 417,189 | $ 1,115,400 | $ 761,535 | $6,046,976 | $ 278,799 | $ - | $ 22,022,107 |
| **Total Liabilities and Net Position** | $1,258,807 | $1,109,319 | $ 4,669,428 | $ 601,867 | $ 9,701,468 | $ 843,651 | $ 1,886,746 | $ 2,810,898 | $7,178,838 | $ 417,457 | $ (1,122,624) | $ 29,324,241 |

**DEPARTMENT OF JUSTICE**
**Consolidating Balance Sheet**
**As of September 30, 2000**

| | | | | | | | Restated | | | Restated | | Restated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| Intragovernmental | | | | | | | | | | | | |
| Fund Balance with U.S. Treasury | $ 8,731 | $ 809,179 | $ 3,549,421 | $ 333,132 | $ 8,398,321 | $ 513,944 | $ 987,847 | $ 1,825,804 | $ 1,981,308 | $ 7,054 | $ - | $ 18,384,741 |
| Investments, Net | 1,133,771 | - | 116,504 | - | - | - | - | - | 100,082 | 30,300 | - | 1,380,637 |
| Accounts Receivable, Net | 2,526 | 71,192 | 110,232 | 26,833 | 5,552 | 32,761 | 98,972 | 11,045 | 10,588 | 97,868 | (254,880) | 212,589 |
| Other Assets | 8,423 | - | 463,301 | - | 39,997 | 29,283 | 16,732 | 9,720 | 9,271 | 578 | (512,218) | 63,089 |
| Total Intragovernmental | 1,151,451 | 880,371 | 4,239,458 | 359,965 | 8,443,870 | 575,988 | 1,103,551 | 1,846,569 | 2,081,239 | 135,800 | (767,208) | 20,051,058 |
| Accounts Receivable, Net | - | 6 | 46,019 | 470 | 185 | 1,416 | 15,884 | 45,902 | 18,585 | 5,411 | - | 135,858 |
| Cash and Other Monetary Assets | 43,889 | - | 82 | 38 | 54 | 6,317 | 61,142 | 29,720 | 29,713 | - | - | 171,983 |
| Inventory and Related Property, Net | - | 291 | - | 7,976 | - | 20,432 | 1,971 | - | 11,580 | 117,083 | - | 159,313 |
| General Property, Plant and Equipment, Net | - | 11,895 | 3,022 | 166,461 | 3,050 | 177,587 | 408,958 | 373,119 | 4,589,253 | 141,784 | - | 5,935,217 |
| Forfeited Property, Net | 71,801 | - | - | - | - | - | - | - | - | - | - | 71,801 |
| Advances and Prepayments | - | 22 | 47,151 | 34 | 383,734 | 10,898 | 24,898 | 347 | 4,445 | - | - | 451,098 |
| Other Assets | - | - | - | - | - | - | - | - | - | 2,720 | - | 2,720 |
| **Total Assets** | $1,267,261 | $ 892,676 | $ 4,337,732 | $ 534,942 | $ 8,810,873 | $ 794,409 | $ 1,696,990 | $ 2,296,667 | $6,713,816 | $ 402,778 | $ (767,208) | $ 26,978,916 |
| **LIABILITIES** | | | | | | | | | | | | |
| Intragovernmental | | | | | | | | | | | | |
| Accounts Payable | $ 54,777 | $ 79,939 | $ 97,482 | $ 22,781 | $ 22,047 | $ 19,389 | $ 42,817 | $ 159,722 | $ 30,475 | $ 2,011 | $ (254,880) | $ 276,430 |
| Accrued FECA Liability | - | 401 | 6,038 | 11,168 | 11 | 19,763 | 23,007 | 63,771 | 58,654 | 684 | - | 183,495 |
| Debt | - | - | - | - | - | - | - | - | - | 20,000 | - | 20,000 |
| Custodial Liability | - | 261,463 | - | - | - | 1,283 | - | 2,891 | - | - | - | 265,637 |
| Other Liabilities | - | 13,043 | 19,705 | 53,725 | 518,587 | 15,884 | 28,488 | 26,228 | 26,661 | 23,492 | (512,218) | 213,587 |
| Total Intragovernmental | 54,777 | 354,886 | 123,223 | 87,674 | 540,645 | 56,279 | 94,312 | 252,612 | 115,790 | 46,187 | (767,208) | 959,150 |
| Accounts Payable | 58,833 | 43,608 | 542,802 | 136,083 | 814,745 | 74,138 | 129,349 | 247,098 | 343,172 | 57,805 | - | 2,447,589 |
| Actuarial FECA Liabilities | - | 2,214 | 32,768 | 59,001 | 95 | 115,121 | 123,459 | 333,002 | 314,145 | 5,710 | - | 985,513 |
| Accrued Payroll and Benefits | - | 2,395 | 81,589 | 17,750 | 3,254 | 38,098 | 101,888 | 109,023 | 89,375 | 10,829 | - | 452,181 |
| Accrued Annual and Compensatory Leave | - | 3,636 | 110,274 | 21,049 | 3,856 | 53,574 | 153,987 | 102,464 | 98,702 | 7,367 | - | 554,912 |
| Environmental Cleanup Cost | - | - | - | - | - | - | - | 9,013 | - | - | - | 9,013 |
| Deferred Revenue | 84,749 | 1,557 | - | - | - | 58,255 | - | 550,923 | 1,144 | - | - | 676,628 |
| Seized Cash and Monetary Assets | 529,920 | - | - | - | - | 427 | 45,594 | - | - | - | - | 575,941 |
| Contingent Liabilities | - | - | - | - | - | 3,730 | 11,000 | 81,737 | 98,800 | 842 | - | 196,109 |
| Capital Lease Liabilities | - | - | - | 9,910 | 104 | 186 | 1,887 | - | 75,591 | 164 | - | 87,802 |
| Other Liabilities | 22,439 | 47,984 | 2,809 | - | 4,567 | 277 | 4,221 | 187,750 | 41,433 | - | - | 311,280 |
| **Total Liabilities** | $ 730,718 | $ 456,261 | $ 893,263 | $ 331,447 | $ 1,367,266 | $ 398,066 | $ 666,637 | $ 1,873,810 | $1,178,152 | $ 128,924 | $ (767,208) | $ 7,256,137 |
| **NET POSITION** | | | | | | | | | | | | |
| Unexpended Appropriations | $ - | $ - | $ 3,416,057 | $ 131,303 | $ 5,512,728 | $ 385,484 | $ 852,520 | $ 534,682 | $ 1,405,377 | $ - | $ - | $ 12,238,151 |
| Cumulative Results of Operations | 536,533 | 436,414 | 28,412 | 72,192 | 1,930,879 | 10,860 | 177,833 | (112,835) | 4,130,286 | 273,854 | - | 7,484,628 |
| **Total Net Position** | $ 536,533 | $ 436,414 | $ 3,444,469 | $ 203,495 | $ 7,443,607 | $ 396,344 | $ 1,030,353 | $ 422,847 | $5,535,663 | $ 273,854 | $ - | $ 19,722,779 |
| **Total Liabilities and Net Position** | $1,267,251 | $ 892,676 | $ 4,337,732 | $ 534,942 | $ 8,810,873 | $ 794,409 | $ 1,696,990 | $ 2,296,667 | $6,713,816 | $ 402,778 | $ (767,208) | $ 26,978,916 |

# DEPARTMENT OF JUSTICE
## Consolidating Statement of Net Cost
## For Fiscal Year Ended September 30, 2001

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investigation and Prosecution of Criminal Offenses** | | | | | | | | | | | | |
| Intragovernmental | $ 117,329 | $ - | $ 238,489 | $ - | $ - | $ 460,633 | $ 1,000,394 | $ - | $ - | $ - | $ (257,877) | $ 1,548,868 |
| With the Public | 83,010 | - | 496,275 | - | - | 1,227,341 | 2,733,894 | - | - | - | 47,851 | 4,588,071 |
| Total | $ 200,339 | $ - | $ 734,764 | $ - | $ - | $ 1,677,974 | $ 3,734,288 | $ - | $ - | $ - | $ (210,426) | $ 6,136,939 |
| Less Earned Revenues | 3,821 | - | 32,209 | - | - | 288,569 | 458,012 | - | - | - | (414,857) | 365,754 |
| Net Program Costs | $ 196,518 | $ - | $ 702,555 | $ - | $ - | $ 1,389,405 | $ 3,276,276 | $ - | $ - | $ - | $ 204,431 | $ 5,771,185 |
| **Assistance to Tribal, State, and Local Governments** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 116,252 | $ - | $ 167,059 | $ - | $ 72,828 | $ - | $ - | $ - | $ (112,304) | $ 243,835 |
| With the Public | 248,079 | - | 912,958 | - | 3,308,340 | - | 200,880 | - | - | - | 14,975 | 4,685,312 |
| Total | $ 248,079 | $ - | $ 1,029,210 | $ - | $ 3,465,399 | $ - | $ 273,708 | $ - | $ - | $ - | $ (97,329) | $ 4,949,147 |
| Less Earned Revenues | - | - | 2,550 | - | 167,490 | - | 85,050 | - | - | - | (123,052) | 132,078 |
| Net Program Costs | $ 248,079 | $ - | $ 1,026,660 | $ - | $ 3,327,909 | $ - | $ 188,658 | $ - | $ - | $ - | $ 25,723 | $ 4,817,069 |
| **Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 808,959 | $ - | $ - | $ - | $ 12,231 | $ - | $ - | $ - | $ (362,840) | $ 458,650 |
| With the Public | - | - | 1,200,785 | - | - | - | 33,751 | - | - | - | 95,479 | 1,330,015 |
| Total | $ - | $ - | $ 2,007,744 | $ - | $ - | $ - | $ 45,982 | $ - | $ - | $ - | $ (267,061) | $ 1,786,665 |
| Less Earned Revenues | - | - | 292,855 | - | - | - | - | - | - | - | (24,904) | 267,951 |
| Net Program Costs | $ - | $ - | $ 1,714,889 | $ - | $ - | $ - | $ 45,982 | $ - | $ - | $ - | $ (242,157) | $ 1,518,714 |
| **Immigration** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 58,950 | $ - | $ - | $ - | $ - | $ 1,088,530 | $ - | $ - | $ (128,623) | $ 1,020,857 |
| With the Public | - | - | 111,597 | - | - | - | - | 2,438,717 | - | - | 34,332 | 2,686,646 |
| Total | $ - | $ - | $ 168,547 | $ - | $ - | $ - | $ - | $ 3,529,247 | $ - | $ - | $ (91,291) | $ 3,606,503 |
| Less Earned Revenues | - | - | 1,347 | - | - | - | - | 1,222,210 | - | - | (41,034) | 1,182,523 |
| Net Program Costs | $ - | $ - | $ 167,200 | $ - | $ - | $ - | $ - | $ 2,307,037 | $ - | $ - | $ (50,257) | $ 2,423,980 |

**DEPARTMENT OF JUSTICE**
**Consolidating Statement of Net Cost**
**For Fiscal Year Ended September 30, 2001**

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Detention and Incarceration** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 2,293 | $ 221,480 | $ - | $ - | $ - | $ 427,668 | $ 902,232 | $ 82,200 | $ (137,692) | $ 1,499,161 |
| With the Public | - | - | 7,257 | 938,921 | - | - | - | 939,717 | 3,306,168 | 527,718 | 37,130 | 5,756,911 |
| Total | $ - | $ - | $ 9,550 | $ 1,160,381 | $ - | $ - | $ - | $ 1,367,385 | $ 4,208,400 | $ 609,918 | $ (100,562) | $ 7,256,072 |
| Less Earned Revenues | - | - | (19) | 89,699 | - | - | - | 535,365 | 244,999 | 607,240 | (174,011) | 1,303,273 |
| Net Program Costs | $ - | $ - | $ 9,569 | $ 1,070,682 | $ - | $ - | $ - | $ 832,020 | $ 3,963,401 | $ 2,678 | $ 73,449 | $ 5,951,799 |
| **Protection of the Federal Judiciary and Improvement of the Justice System** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 58,586 | $ 69,935 | $ - | $ - | $ - | $ - | $ - | $ - | $ (29,042) | $ 99,479 |
| With the Public | - | - | 195,293 | 294,140 | - | - | - | - | - | - | 7,599 | 497,032 |
| Total | $ - | $ - | $ 253,879 | $ 364,075 | $ - | $ - | $ - | $ - | $ - | $ - | $ (21,443) | $ 596,511 |
| Less Earned Revenues | - | - | 149,361 | 22,726 | - | - | - | - | - | - | (33,721) | 138,366 |
| Net Program Costs | $ - | $ - | $ 104,518 | $ 341,349 | $ - | $ - | $ - | $ - | $ - | $ - | $ 12,278 | $ 458,145 |
| **Management** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ 478,164 | $ 154,333 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (545,194) | $ 87,303 |
| With the Public | - | 256,718 | 125,132 | - | - | - | - | - | - | - | (237,066) | 144,784 |
| Total | $ - | $ 734,882 | $ 279,465 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (782,260) | $ 232,087 |
| Less Earned Revenues | - | 755,447 | 38,983 | - | - | - | - | - | - | - | (758,793) | 35,637 |
| Net Program Costs | $ - | $ (20,565) | $ 240,482 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (23,467) | $ 196,450 |
| **Net Cost (Revenue) of Operations** | $ 444,697 | $ (20,565) | $ 3,985,873 | $ 1,412,031 | $ 3,327,909 | $ 1,389,405 | $ 3,512,956 | $ 3,139,057 | $ 3,963,401 | $ 2,678 | $ - | $ 21,137,342 |

**DEPARTMENT OF JUSTICE**
**Consolidating Statement of Net Cost**
**For Fiscal Year Ended September 30, 2000**

| | | | | | | | Restated | | | Restated | | Restated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investigation and Prosecution of Criminal Offenses** | | | | | | | | | | | | |
| Intragovernmental | $ 122,532 | $ - | $ 186,833 | $ - | $ - | $ 422,719 | $ 906,133 | $ - | $ - | $ - | $ (223,292) | $ 1,412,925 |
| With the Public | 78,200 | - | 501,518 | - | - | 1,072,858 | 2,491,553 | - | - | - | 42,388 | 4,188,517 |
| Total | $ 200,732 | $ - | $ 687,351 | $ - | $ - | $ 1,495,577 | $ 3,398,686 | $ - | $ - | $ - | $ (180,904) | $ 5,599,442 |
| Less Earned Revenues | 3,661 | - | 28,942 | - | - | 262,291 | 431,325 | - | - | - | (385,106) | 341,113 |
| Net Program Costs | $ 197,071 | $ - | $ 658,409 | $ - | $ - | $ 1,233,286 | $ 2,966,361 | $ - | $ - | $ - | $ 204,202 | $ 5,258,329 |
| **Assistance to Tribal, State, and Local Governments** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 48,526 | $ - | $ 210,326 | $ - | $ 89,526 | $ - | $ - | $ - | $ (80,938) | $ 267,440 |
| With the Public | 231,389 | - | 1,153,873 | - | 3,902,129 | - | 248,347 | - | - | - | 8,000 | 5,543,718 |
| Total | $ 231,389 | $ - | $ 1,202,399 | $ - | $ 4,112,455 | $ - | $ 337,873 | $ - | $ - | $ - | $ (72,938) | $ 5,811,158 |
| Less Earned Revenues | - | - | 267 | - | 70,096 | - | 71,767 | - | - | - | (50,571) | 91,559 |
| Net Program Costs | $ 231,389 | $ - | $ 1,202,132 | $ - | $ 4,042,359 | $ - | $ 266,106 | $ - | $ - | $ - | $ (22,367) | $ 5,719,599 |
| **Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 905,213 | $ - | $ - | $ - | $ 13,398 | $ - | $ - | $ - | $ (314,681) | $ 603,930 |
| With the Public | - | - | 1,015,310 | - | - | - | 37,165 | - | - | - | 111,310 | 1,163,785 |
| Total | $ - | $ - | $ 1,920,523 | $ - | $ - | $ - | $ 50,563 | $ - | $ - | $ - | $ (203,361) | $ 1,767,735 |
| Less Earned Revenues | - | - | 322,591 | - | - | - | - | - | - | - | (8,213) | 314,378 |
| Net Program Costs | $ - | $ - | $ 1,[illegible]97,932 | $ - | $ - | $ - | $ 50,563 | $ - | $ - | $ - | $ (195,138) | $ 1,453,357 |
| **Immigration** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 46,086 | $ - | $ - | $ - | $ - | $ 855,357 | $ - | $ - | $ (110,776) | $ 790,667 |
| With the Public | - | - | 101,997 | - | - | - | - | 2,599,122 | - | - | 27,211 | 2,728,330 |
| Total | $ - | $ - | $ 148,083 | $ - | $ - | $ - | $ - | $ 3,454,479 | $ - | $ - | $ (83,565) | $ 3,518,997 |
| Less Earned Revenues | - | - | 751 | - | - | - | - | 958,544 | - | - | (16,011) | 943,284 |
| Net Program Costs | $ - | $ - | $ 147,332 | $ - | $ - | $ - | $ - | $ 2,495,935 | $ - | $ - | $ (67,554) | $ 2,575,713 |

**DEPARTMENT OF JUSTICE**
**Consolidating Statement of Net Cost**
**For Fiscal Year Ended September 30, 2000**

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Restated | | | Restated | | Restated |
| **Detention and Incarceration** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 2,075 | $ 385,877 | $ - | $ - | $ - | $ 324,153 | $ 794,315 | $ 41,736 | $ (118,258) | $ 1,429,898 |
| With the Public | - | - | 6,550 | 475,831 | - | - | - | 984,984 | 3,065,499 | 561,453 | 34,483 | 5,128,800 |
| Total | $ - | $ - | $ 8,625 | $ 861,708 | $ - | $ - | $ - | $ 1,309,137 | $ 3,859,814 | $ 603,189 | $ (83,775) | $ 6,558,698 |
| Less Earned Revenues | - | - | 111 | 100,893 | - | - | - | 363,290 | 240,395 | 582,999 | (161,101) | 1,126,587 |
| Net Program Costs | $ - | $ - | $ 8,514 | $ 760,815 | $ - | $ - | $ - | $ 945,847 | $ 3,619,419 | $ 20,190 | $ 77,326 | $ 5,432,111 |
| **Protection of the Federal Judiciary and Improvement of the Justice System** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ - | $ 51,238 | $ 211,457 | $ - | $ - | $ - | $ - | $ - | $ - | $ (20,847) | $ 241,848 |
| With the Public | - | - | 211,604 | 338,584 | - | - | - | - | - | - | 7,439 | 557,627 |
| Total | $ - | $ - | $ 262,842 | $ 550,041 | $ - | $ - | $ - | $ - | $ - | $ - | $ (13,408) | $ 799,475 |
| Less Earned Revenues | - | - | 145,993 | 2,065 | - | - | - | - | - | - | (5,511) | 142,547 |
| Net Program Costs | $ - | $ - | $ 116,849 | $ 547,976 | $ - | $ - | $ - | $ - | $ - | $ - | $ (7,897) | $ 656,928 |
| **Management** | | | | | | | | | | | | |
| Intragovernmental | $ - | $ 433,021 | $ 116,334 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (473,024) | $ 76,331 |
| With the Public | - | 244,990 | 139,587 | - | - | - | - | - | - | - | (230,831) | 153,746 |
| Total | $ - | $ 678,011 | $ 255,921 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ (703,855) | $ 230,077 |
| Less Earned Revenues | - | 714,251 | 40,064 | - | - | - | - | - | - | - | (715,283) | 39,032 |
| Net Program Costs | $ - | $ (38,240) | $ 215,857 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 11,428 | $ 191,045 |
| **Net Cost (Revenue) of Operations** | $ 428,440 | $ (38,240) | $ 3,947,025 | $ 1,308,791 | $ 4,042,359 | $ 1,233,286 | $ 3,282,030 | $ 3,441,782 | $ 3,619,419 | $ 20,190 | $ - | $ 21,287,082 |

# DEPARTMENT OF JUSTICE
## Consolidating Statement of Changes in Net Position
## For Fiscal Year Ended September 30, 2001

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net (Cost) Revenue of Operations | $ (444,887) | $ 20,545 | $ (3,965,873) | $ (1,412,031) | $ (3,327,889) | $ (1,389,405) | $ (3,612,996) | $ (3,139,057) | $ (3,983,401) | $ (2,678) | $ - | $ (21,137,342) |
| Financing Sources (other than exchange revenues): | | | | | | | | | | | | |
| Appropriations Used | - | - | 3,914,567 | 1,399,899 | 2,788,298 | 1,338,626 | 3,367,576 | 2,976,315 | 4,080,388 | - | - | 19,853,667 |
| Other Non-exchange Revenue | 459,026 | - | - | - | 539,000 | - | - | 14,158 | - | - | - | 1,012,18[illegible] |
| Imputed Financing | - | 3,481 | 126,906 | 21,211 | 3,077 | 42,720 | 130,771 | 124,450 | 115,198 | 7,623 | - | 575,415 |
| Donations | - | - | - | - | - | - | - | - | 792 | - | - | 792 |
| Transfers-in | - | 87,193 | 19,074 | 12,436 | 105,399 | 9,781 | 61,376 | 13,344 | 64,258 | - | (224,984) | 147,885 |
| Transfers-out | (25,116) | (112,582) | (81,881) | - | (17,000) | (19,411) | (8,677) | (8,000) | (228) | - | 224,984 | (48,131) |
| Other Financing Sources | - | - | - | - | - | - | - | - | (2,350) | - | - | (2,350) |
| Net Results of Operations | $ (10,977) | $ (1,363) | $ 12,793 | $ 21,515 | $ 90,885 | $ (19,689) | $ 37,880 | $ (18,790) | $ 294,653 | $ 4,945 | $ - | $ 412,130 |
| Prior Period Adjustments | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Change in Cumulative Results of Operations | $ (10,977) | $ (1,363) | $ 12,793 | $ 21,515 | $ 90,885 | $ (19,689) | $ 37,880 | $ (18,790) | $ 294,653 | $ 4,945 | $ - | $ 412,130 |
| Increase (Decrease) in Unexpended Appropriations | - | - | 194,163 | 4,590 | 1,028,789 | 49,834 | 47,167 | 369,279 | 219,889 | - | - | 1,887,198 |
| Change in Net Position | $ (10,977) | $ (1,363) | $ 206,956 | $ 26,105 | $ 1,110,619 | $ 29,845 | $ 85,047 | $ 329,489 | $ 511,313 | $ 4,945 | $ - | $ 2,299,329 |
| Net Position-Beginning of Period | 539,833 | 437,414 | 3,444,469 | 193,895 | 7,443,887 | 398,344 | 1,030,353 | 422,047 | 5,535,663 | 273,884 | - | 19,722,779 |
| Net Position - End of Period | $ 528,856 | $ 436,051 | $ 3,651,425 | $ 220,000 | $ 8,560,226 | $ 417,189 | $ 1,115,400 | $ 761,536 | $ 6,046,976 | $ 278,[illegible] | $ - | $ 22,022,107 |

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**DEPARTMENT OF JUSTICE**
**Consolidating Statement of Changes in Net Position**
**For Fiscal Year Ended September 30, 2000**

| | | | | | | | Restated | | | Restated | | Restated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net (Cost) Revenue of Operations** | $ (428,440) | $ 36,240 | $ (3,847,028) | $ (1,308,791) | $ (4,042,380) | $ (1,233,288) | $ (3,282,030) | $ (3,441,782) | $ (3,819,419) | $ (20,190) | $ - | $ (21,287,882) |
| Financing Sources (other than exchange revenues): | | | | | | | | | | | | |
| Appropriations Used | - | - | 3,948,356 | [illegible] | 3,515,047 | 1,173,714 | 3,084,719 | 3,431,028 | 3,924,175 | - | - | 20,383,489 |
| Other Non-exchange Revenues | 487,853 | - | - | - | 778,491 | - | - | 3,098 | 7 | - | - | 1,249,249 |
| Imputed Financing | - | 3,174 | 73,016 | [illegible] | 2,842 | 39,958 | 138,535 | 119,194 | 103,401 | 7,387 | - | 508,441 |
| Donations | - | - | - | - | - | 34 | - | - | 1,084 | - | - | 1,088 |
| Transfers-in | - | 118,095 | 15,190 | 6,907 | 100,397 | 17,194 | 44,879 | 50,816 | 5,004 | - | (233,192) | 123,290 |
| Transfers-out | (27,515) | (95,419) | (107,429) | - | (8,500) | (16,650) | (4,387) | (8,000) | - | - | 233,192 | (34,898) |
| Other Financing Sources | - | - | - | - | - | - | - | - | - | - | - | - |
| **Net Results of Operations** | $ 11,898 | $ 60,090 | $ (19,892) | $ 7,479 | $ 348,918 | $ (19,036) | $ (20,264) | $ 164,364 | $ 414,232 | $ (12,803) | $ - | $ 921,776 |
| Prior Period Adjustments | 17,446 | (10,882) | (15,942) | 23,231 | (425) | - | 57,607 | 12,183 | 6,808 | 260 | - | 90,508 |
| **Net Change in Cumulative Results of Operations** | $ 29,144 | $ 49,428 | $ (35,834) | $ 30,710 | $ 348,493 | $ (19,036) | $ 37,343 | $ 166,837 | $ 421,040 | $ (12,843) | $ - | $ 1,012,282 |
| Increase (Decrease) in Unexpended Appropriations | - | - | (746,833) | (35,757) | (72,527) | (6,749) | 119,155 | (296,230) | (346,230) | - | - | (1,385,171) |
| **Change in Net Position** | $ 29,144 | $ 49,428 | $ (782,667) | $ (5,047) | $ 272,966 | $ (25,785) | $ 156,498 | $ (129,693) | $ 74,810 | $ (12,843) | $ - | $ (372,889) |
| Net Position-Beginning of Period | 507,389 | 386,986 | 4,227,136 | 208,542 | 7,170,641 | 422,129 | 873,855 | 551,740 | 5,460,853 | 286,397 | - | 20,095,668 |
| **Net Position - End of Period** | $ 536,533 | $ 436,414 | $ 3,444,469 | $ 203,495 | $ 7,443,607 | $ 396,344 | $ 1,030,353 | $ 422,047 | $ 5,535,663 | $ 273,554 | $ - | $ 19,722,779 |

**DEPARTMENT OF JUSTICE**
**Combining Statement of Budgetary Resources**
**For Fiscal Year Ended September 30, 2001**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Budgetary Resources:** | | | | | | | | | | | |
| Budget Authority | $ 442,683 | $ - | $ 4,269,722 | $ 1,420,080 | $ 4,167,894 | $ 1,445,828 | $ 3,459,605 | $ 3,261,257 | $ 4,357,882 | $ - | $ 22,825,163 |
| Unobligated Balances - Beginning of Period | 447,879 | 230,288 | 228,883 | 28,314 | 2,342,385 | 103,357 | 141,837 | 131,585 | 582,630 | 15,007 | 4,229,882 |
| Net Transfers, Prior Year Balance, Actual | - | 87,193 | (3,037) | (12,800) | - | (19,700) | (37,028) | - | (58,650) | - | (44,122) |
| Spending Authority from Offsetting Collections | 2,430 | 780,088 | 530,285 | 103,970 | 638,850 | 210,423 | 635,832 | 1,821,458 | 273,543 | 602,488 | 5,599,328 |
| Adjustments | 38,824 | 29,256 | 60,500 | 25,198 | (1,282,414) | 200,401 | 31,804 | 475,203 | 118,794 | (10,488) | (314,120) |
| **Total Budgetary Resources** | $ 930,018 | $ 1,126,816 | $ 5,084,423 | $ 1,564,674 | $ 5,865,756 | $ 1,940,109 | $ 4,231,620 | $ 5,689,003 | $ 5,255,269 | $ 607,016 | $ 32,296,229 |
| **Status of Budgetary Resources:** | | | | | | | | | | | |
| Obligations Incurred | $ 550,765 | $ 879,738 | $ 4,726,044 | $ 1,520,344 | $ 5,162,052 | $ 1,819,950 | $ 3,992,521 | $ 5,493,888 | $ 4,586,884 | $ 601,080 | $ 29,332,372 |
| Unobligated Balances - Available | 348,740 | 137,918 | 276,891 | 33,910 | 703,621 | 50,889 | 210,279 | 168,488 | 553,082 | 5,936 | 2,488,674 |
| Unobligated Balances - Not Available | 32,413 | 109,159 | 81,488 | 10,420 | 1,112 | 69,280 | 28,820 | 27,031 | 115,303 | - | 475,183 |
| **Total Status of Budgetary Resources** | $ 930,018 | $ 1,126,816 | $ 5,084,423 | $ 1,564,674 | $ 5,865,756 | $ 1,940,109 | $ 4,231,620 | $ 5,689,003 | $ 5,255,269 | $ 607,016 | $ 32,296,229 |
| **Outlays:** | | | | | | | | | | | |
| Obligations Incurred | $ [illegible] | $ 879,738 | $ 4,726,044 | $ 1,520,344 | $ 5,162,052 | $ 1,819,950 | $ 3,992,521 | $ 5,493,888 | $ 4,586,884 | $ 601,080 | $ 29,332,372 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 45,451 | 809,351 | 642,701 | 131,912 | 703,214 | 389,226 | 675,250 | 2,292,843 | 404,370 | 602,488 | 6,708,913 |
| Subtotal | 505,314 | 70,388 | 4,083,343 | 1,388,432 | 4,458,838 | 1,430,665 | 3,317,271 | 3,201,045 | 4,181,534 | (1,388) | 22,623,459 |
| Obligated Balance, Net - Beginning of Period | 201,641 | 283,853 | 3,319,823 | 284,279 | 6,048,214 | 395,889 | 846,191 | 1,316,010 | 1,489,343 | 87,082 | 14,232,400 |
| Less: Obligated Balance, Net - End of Period | 255,428 | 255,807 | 3,254,847 | 295,552 | 6,830,404 | 434,325 | 743,522 | 1,533,325 | 1,477,578 | 95,323 | 15,245,789 |
| **Total Outlays** | $ 451,529 | $ 78,831 | $ [illegible] | $ 1,377,159 | $ 3,676,649 | $ 1,392,229 | $ 3,419,940 | $ 2,983,730 | $ 4,193,299 | $ (9,627) | $ 21,612,093 |

# DEPARTMENT OF JUSTICE
## Combining Statement of Budgetary Resources
## For Fiscal Year Ended September 30, 2000

| | | | | | | | Restated | | | Restated | Restated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Budgetary Resources:** | | | | | | | | | | | |
| Budget Authority | $ 544,277 | $ (288) | $ 3,205,523 | $ 1,284,120 | $ 4,281,8[illegible] | $ 1,338,[illegible] | $ 3,242,[illegible] | $ 2,978,[illegible] | $ 3,707,445 | $ - | $ 20,543,074 |
| Unobligated Balance - Beginning of Period | 364,679 | 115,728 | 541,003 | 58,[illegible] | 1,493,374 | 60,536 | 194,351 | 148,616 | 830,552 | 47,403 | 3,843,222 |
| Net Transfers, Prior Year Balance, Actual | - | 116,085 | (7,847) | - | 4,130 | (16,414) | (38,511) | 403 | (60,000) | - | (21,947) |
| Spending Authority from Offsetting Collections | 3,705 | 729,314 | 685,758 | 120,364 | 388,557 | 204,535 | 551,[illegible] | 1,347,740 | 237,208 | 575,157 | 4,832,023 |
| Adjustments | 3,524 | 12,400 | 133,909 | 12,[illegible] | (1,097,157) | 150,141 | 45,157 | 111,370 | 12,951 | ([illegible]) | (616,012) |
| **Total Budgetary Resources** | $ [illegible] | $ 973,242 | $ 4,[illegible] | $ 1,484,144 | $ [illegible] | $ 1,737,[illegible] | $ [illegible] | $ [illegible] | $ 4,780,184 | $ 621,[illegible] | $ [illegible] |
| **Status of Budgetary Resources:** | | | | | | | | | | | |
| Obligations Incurred | $ 488,321 | $ 742,976 | $ 4,311,580 | $ 1,425,830 | $ 3,978,585 | $ 1,627,157 | $ 3,854,022 | $ 4,455,109 | $ 4,140,231 | $ 606,557 | $ 25,628,388 |
| Unobligated Balance - Available | 381,673 | 132,463 | [illegible] | 14,661 | 1,079,205 | 52,301 | 118,283 | 44,022 | 428,447 | 15,007 | 2,344,922 |
| Unobligated Balance - Not Available | 58,191 | 97,803 | 128,103 | 13,653 | 1,010 | 57,807 | 23,344 | 87,583 | 138,476 | - | 637,080 |
| **Total Status of Budgetary Resources** | $ [illegible] | $ 973,242 | $ 4,[illegible] | $ 1,484,144 | $ [illegible] | $ 1,737,[illegible] | $ [illegible] | $ [illegible] | $ 4,780,184 | $ 621,[illegible] | $ [illegible] |
| **Outlays:** | | | | | | | | | | | |
| Obligations Incurred | $ 488,321 | $ 742,976 | $ 4,311,580 | $ 1,425,830 | $ 3,978,585 | $ 1,627,157 | $ 3,854,022 | $ 4,455,109 | $ 4,140,231 | $ 606,557 | $ 25,628,388 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 36,241 | 741,715 | [illegible] | 140,372 | [illegible] | 342,321 | 597,435 | 1,491,877 | 256,162 | 575,157 | 5,616,487 |
| Subtotal | 451,080 | 1,261 | 3,511,[illegible] | 1,285,457 | [illegible] | 1,284,836 | 3,256,587 | 2,963,132 | [illegible] | 31,400 | [illegible] |
| Obligated Balance, Net - Beginning of Period | 271,943 | 388,931 | 3,751,802 | 198,918 | 5,958,604 | 385,374 | 713,848 | 1,272,314 | 1,285,402 | 70,646 | 14,260,782 |
| Less: Obligated Balance, Net - End of Period | 201,641 | 283,653 | 3,319,823 | 284,278 | 6,048,214 | 355,968 | 846,191 | 1,316,010 | 1,473,676 | 67,082 | 14,328,739 |
| **Total Outlays** | $ 521,382 | $ 109,339 | $ 3,943,873 | $ 1,200,097 | $ 3,349,[illegible] | $ 1,314,242 | $ 3,124,244 | $ 2,919,436 | $ 3,695,795 | $ 35,964 | $ [illegible] |

# DEPARTMENT OF JUSTICE
## Combining Statement of Financing
## For Fiscal Year Ended September 30, 2001

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Obligations and Nonbudgetary Resources** | | | | | | | | | | | |
| Obligations Incurred | $ 550,765 | $ 879,736 | $ 4,726,044 | $ 1,520,344 | $ 5,162,052 | $ 1,819,950 | $ 3,992,521 | $ 5,493,986 | $ 4,585,894 | $ 601,080 | $ 29,332,372 |
| Less: Spending Authority from Offsetting Collections and Adjustments | 45,451 | 809,351 | 642,701 | 131,912 | 703,214 | 389,255 | 675,250 | 2,292,943 | 404,370 | 602,466 | 6,708,913 |
| Donations not in the Budget | - | - | - | - | - | - | - | - | 792 | - | 792 |
| Financing Imputed for Cost Subsidies | - | 3,461 | 126,906 | 21,211 | 3,077 | 42,730 | 130,771 | 124,450 | 115,196 | 7,623 | 575,415 |
| Transfers, Net | (17,302) | (112,582) | (62,807) | 12,436 | 105,399 | (9,630) | 52,499 | 5,344 | 64,029 | - | 37,385 |
| Exchange Revenue Not in the Budget | - | - | (149,363) | - | - | - | - | 14,338 | - | (1,424) | (136,449) |
| Other | - | - | - | - | - | (4,810) | (5,824) | 86,199 | - | - | 75,765 |
| **Total Obligations as Adjusted, and Nonbudgetary Resources** | $ 488,012 | $ (38,730) | $ 3,998,079 | $ 1,422,079 | $ 4,567,314 | $ 1,449,176 | $ 3,494,717 | $ 3,431,374 | $ 4,361,849 | $ 4,813 | $ 23,178,387 |
| **Resources That Do Not Fund Net Cost of Operations** | | | | | | | | | | | |
| Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided | $ (42,027) | $ 19,521 | $ (86,032) | $ (11,622) | $ (1,422,921) | $ (20,197) | $ (9,972) | $ (274,958) | $ (62,380) | $ - | $ (1,910,588) |
| Change in Unfilled Customer Orders | (1,388) | - | 37,089 | - | 170,589 | (7,200) | 43,414 | (34,389) | (623) | - | 207,472 |
| Costs Capitalized on the Balance Sheet | - | (5,614) | (1,902) | (21,318) | 13,323 | (32,435) | (101,982) | (101,035) | (584,630) | (26,162) | (871,765) |
| Financing Sources That Fund Costs of Prior Periods | - | 549 | 6,513 | - | (44) | - | - | - | (3,139) | - | 3,879 |
| Other | - | 1 | - | (711) | 694 | (39,138) | - | (25,303) | (28,679) | - | (93,146) |
| **Total Resources That Do Not Fund Net Cost of Operations** | $ (43,418) | $ 14,457 | $ (44,382) | $ (33,661) | $ (1,238,389) | $ (98,970) | $ (68,668) | $ (436,683) | $ (669,431) | $ (26,162) | $ (2,664,128) |
| **Costs That Do Not Require Resources** | | | | | | | | | | | |
| Depreciation and Amortization | $ - | $ 3,580 | $ 1,290 | $ 12,140 | $ (1,119) | $ 21,135 | $ 40,277 | $ 54,755 | $ 207,207 | $ 22,304 | $ 381,559 |
| Revaluation of Assets and Liabilities | - | - | - | - | - | - | - | (138) | 354 | 1,463 | 1,679 |
| Gain/Loss on Disposition of Assets | - | - | - | - | (315) | (763) | 8,209 | 1,140 | 4,927 | 260 | 13,458 |
| Other | - | - | 11,329 | - | - | 451 | 26 | 7,595 | - | - | 19,400 |
| **Total Costs That Do Not Require Resources** | $ - | $ 3,580 | $ 12,619 | $ 12,140 | $ (1,434) | $ 20,823 | $ 48,612 | $ 63,352 | $ 212,488 | $ 24,027 | $ 396,096 |
| **Financing Sources Yet to Be Provided** | $ - | $ 146 | $ (472) | $ 11,493 | $ 398 | $ 18,377 | $ 38,277 | $ 80,014 | $ 78,804 | $ - | $ 227,898 |
| **Net Cost (Revenue) of Operations** | $ 444,697 | $ (20,588) | $ 3,965,873 | $ 1,412,631 | $ 3,327,989 | $ 1,389,486 | $ 3,512,966 | $ 3,139,057 | $ 3,983,401 | $ 2,678 | $ 21,137,342 |

**DEPARTMENT OF JUSTICE**
**Combining Statement of Financing**
**For Fiscal Year Ended September 30, 2000**

| | | | | | | | Restated | Restated | | Restated | Restated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Obligations and Nonbudgetary Resources** | | | | | | | | | | | |
| Obligations Incurred | $ 488,321 | $ 742,976 | $ 4,311,580 | $ 1,425,830 | $ 3,978,595 | $ 1,627,157 | $ 3,894,022 | $ 4,455,109 | $ 4,140,231 | $ 608,557 | $ 25,628,388 |
| Less: Spending Authority from Offsetting | | | | | | | | | | | |
| Collections and Adjustments | 36,241 | 741,715 | 789,898 | 140,373 | 639,380 | 342,321 | 597,435 | 1,491,977 | 255,162 | 575,157 | 5,618,467 |
| Donations not in the Budget | - | - | - | - | - | 34 | - | - | 1,094 | - | 1,088 |
| Financing Imputed for Cost Subsidies | - | 3,174 | 73,016 | 20,934 | 2,842 | 30,408 | 138,536 | 119,194 | 103,401 | 7,387 | 508,441 |
| Transfers, Net | (19,187) | (95,124) | (92,239) | 6,907 | 91,897 | 344 | 40,512 | 42,816 | 5,004 | - | (18,870) |
| Exchange Revenue Not in the Entity's Budget | - | - | (22,124) | - | - | - | - | 45,268 | - | (1,894) | 21,250 |
| Other | 5,291 | - | - | - | - | (73,779) | - | 48,779 | - | - | (21,738) |
| **Total Obligations as Adjusted, and Nonbudgetary Resources** | $ 437,184 | $ (90,689) | $ 3,479,847 | $ 1,313,298 | $ 3,433,944 | $ 1,251,888 | $ 3,433,634 | $ 3,217,189 | $ 3,994,838 | $ 38,893 | $ 20,499,194 |
| **Resources That Do Not Fund Net Cost of Operations** | | | | | | | | | | | |
| Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided | $ (26,204) | $ 64,275 | $ 400,887 | $ 9,851 | $ 189,908 | $ 55,283 | $ (178,338) | $ 100,712 | $ 17,168 | $ - | $ 633,504 |
| Change in Unfilled Customer Orders | 44 | - | 29,589 | - | 8,092 | (2,045) | 8,488 | (18,322) | (1,548) | - | 21,290 |
| Costs Capitalized on the Balance Sheet | - | (2,285) | (574) | (44,958) | (1,610) | (48,531) | (138,008) | (87,277) | (679,319) | (32,843) | (1,033,204) |
| Financing Sources That Fund Costs of Prior Periods | - | 37 | 10,708 | - | (50) | (76,555) | 57,807 | - | (3,254) | (2,864) | (14,371) |
| Other | 17,446 | (12,235) | (231) | (888) | 412,489 | (1,493) | - | (16,998) | (8,095) | - | 392,229 |
| **Total Resources That Do Not Fund Net Cost of Operations** | $ (8,714) | $ 49,792 | $ 439,389 | $ (38,771) | $ 608,799 | $ (71,341) | $ (252,279) | $ (21,883) | $ (673,648) | $ (35,807) | $ (862) |
| **Costs That Do Not Require Resources** | | | | | | | | | | | |
| Depreciation and Amortization | $ - | $ 4,385 | $ 1,202 | $ 12,136 | $ (821) | $ 21,934 | $ 46,403 | $ 43,938 | $ 189,944 | $ 18,774 | $ 338,872 |
| Revaluation of Assets and Liabilities | - | - | - | - | - | - | - | - | 160 | - | 160 |
| Gain/Loss on Disposition of Assets | - | - | - | - | - | (2,384) | 2,016 | 4,002 | 4,013 | 30 | 7,697 |
| Other | - | - | 29,673 | - | - | 1,181 | 388 | 17,088 | 1,702 | - | 49,212 |
| **Total Costs That Do Not Require Resources** | $ - | $ 4,385 | $ 30,875 | $ 12,136 | $ (821) | $ 20,751 | $ 48,797 | $ 65,028 | $ 194,819 | $ 18,804 | $ 393,941 |
| **Financing Sources Yet to Be Provided** | $ - | $ 292 | $ 7,914 | $ 19,129 | $ 437 | $ 32,298 | $ 61,879 | $ 181,480 | $ 103,109 | $ - | $ 398,689 |
| **Net Cost (Revenue) of Operations** | $ 428,440 | $ (36,249) | $ 3,947,828 | $ 1,388,791 | $ 4,042,359 | $ 1,233,296 | $ 3,292,030 | $ 3,441,782 | $ 3,619,419 | $ 20,190 | $ 21,297,882 |

## DEPARTMENT OF JUSTICE
### Consolidating Statement of Custodial Activity
### For Fiscal Year Ended September 30, 2001

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue Activity** | | | | | | | | | | | |
| **Sources of Cash Collections** | | | | | | | | | | | |
| Civil and Criminal Debt Collections | $ - | $ 2,877,741 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 2,877,741 |
| General Fund Receipts | - | - | - | - | - | - | - | 247,762 | - | - | 247,762 |
| Fines, Penalties and Restitution Payments | - | - | - | - | - | 3,252 | - | - | - | - | 3,252 |
| **Total Cash Collections** | $ - | $ 2,877,741 | $ - | $ - | $ - | $ 3,252 | $ - | $ 247,762 | $ - | $ - | $ 3,128,755 |
| **Accrual Adjustments** | - | - | - | - | - | - | - | 2,622 | - | - | 2,622 |
| **Total Custodial Revenue** | $ - | $ 2,877,741 | $ - | $ - | $ - | $ 3,252 | $ - | $ 250,384 | $ - | $ - | $ 3,131,377 |
| **Disposition of Collections** | | | | | | | | | | | |
| Transferred to Federal Agencies: | | | | | | | | | | | |
| Agency for International Development | - | (12,057) | - | - | - | - | - | - | - | - | (12,057) |
| Environmental Protection Agency | - | (365,039) | - | - | - | - | - | - | - | - | (365,039) |
| Federal Deposit Insurance Corporation | - | (7,151) | - | - | - | - | - | - | - | - | (7,151) |
| Federal Trade Commission | - | - | - | - | - | - | - | - | - | - | - |
| General Services Administration | - | (5,578) | - | - | - | - | - | - | - | - | (5,578) |
| National Aeronautics and Space Administration | - | (7,829) | - | - | - | - | - | - | - | - | (7,829) |
| Office of Personnel Management | - | (8,369) | - | - | - | - | - | - | - | - | (8,369) |
| Small Business Administration | - | (8,257) | - | - | - | - | - | - | - | - | (8,257) |
| U.S. Department of the Air Force | - | (5,145) | - | - | - | - | - | - | - | - | (5,145) |
| U.S. Department of the Army | - | (3,572) | - | - | - | - | - | - | - | - | (3,572) |
| U.S. Department of Agriculture | - | (78,782) | - | - | - | - | - | - | - | - | (78,782) |
| U.S. Department of Commerce | - | (3,314) | - | - | - | - | - | - | - | - | (3,314) |
| U.S. Department of Defense | - | (34,469) | - | - | - | - | - | - | - | - | (34,469) |
| U.S. Department of Education | - | (33,710) | - | - | - | - | - | - | - | - | (33,710) |
| U.S. Department of Energy | - | (11,391) | - | - | - | - | - | - | - | - | (11,391) |
| U.S. Department of Health and Human Services | - | (1,207,767) | - | - | - | - | - | - | - | - | (1,207,767) |
| U.S. Department of Housing and Urban Development | - | (5,220) | - | - | - | - | - | - | - | - | (5,220) |
| U.S. Department of the Interior | - | (193,242) | - | - | - | - | - | - | - | - | (193,242) |
| U.S. Department of Justice | - | (424,782) | - | - | - | - | - | - | - | - | (424,782) |
| U.S. Department of the Navy | - | (14,030) | - | - | - | - | - | - | - | - | (14,030) |
| U.S. Department of Transportation | - | (56,303) | - | - | - | - | - | - | - | - | (56,303) |
| U.S. Department of the Treasury | - | (85,247) | - | - | - | (3,237) | - | (249,300) | - | - | (337,784) |
| U.S. Department of Veterans Affairs | - | (4,978) | - | - | - | - | - | - | - | - | (4,978) |
| U.S. Postal Service | - | (5,111) | - | - | - | - | - | - | - | - | (5,111) |
| Other | - | (13,879) | - | - | - | - | - | - | - | - | (13,879) |
| Transferred to the Public | - | (323,638) | - | - | - | - | - | - | - | - | (323,638) |
| (Increase)Decrease in Amounts to be Transferred | - | (1,462) | - | - | - | (15) | - | (1,084) | - | - | (2,561) |
| Refunds and Other Payments | - | (1,412) | - | - | - | - | - | - | - | - | (1,412) |
| Retained by the Reporting Entity | - | (66,029) | - | - | - | - | - | - | - | - | (66,029) |
| **Net Custodial Revenue Activity** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

125

# DEPARTMENT OF JUSTICE
## Consolidating Statement of Custodial Activity
## For Fiscal Year Ended September 30, 2000

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue Activity** | | | | | | | | | | | |
| **Sources of Cash Collections** | | | | | | | | | | | |
| Civil and Criminal Debt Collections | $ - | $ 3,429,179 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,429,179 |
| General Fund Receipts | - | - | - | - | - | - | - | 143,920 | - | - | 143,920 |
| Fines, Penalties and Restitution Payments | - | - | - | - | - | 5,700 | - | - | - | - | 5,700 |
| **Total Cash Collections** | $ - | $ 3,429,179 | $ - | $ - | $ - | $ 5,700 | $ - | $ 143,920 | $ - | $ - | $ 3,578,799 |
| **Accrual Adjustments** | - | - | - | - | - | - | - | 1,538 | - | - | 1,538 |
| **Total Custodial Revenue** | $ - | $ 3,429,179 | $ - | $ - | $ - | $ 5,700 | $ - | $ 145,458 | $ - | $ - | $ 3,580,337 |
| **Disposition of Collections** | | | | | | | | | | | |
| Transferred to Federal Agencies: | | | | | | | | | | | |
| Agency for International Development | - | - | - | - | - | - | - | - | - | - | - |
| Environmental Protection Agency | - | (232,689) | - | - | - | - | - | - | - | - | (232,689) |
| Federal Deposit Insurance Corporation | - | - | - | - | - | - | - | - | - | - | - |
| Federal Trade Commission | - | (10,088) | - | - | - | - | - | - | - | - | (10,088) |
| General Services Administration | - | - | - | - | - | - | - | - | - | - | - |
| National Aeronautics and Space Administration | - | - | - | - | - | - | - | - | - | - | - |
| Office of Personnel Management | - | - | - | - | - | - | - | - | - | - | - |
| Small Business Administration | - | - | - | - | - | - | - | - | - | - | - |
| U.S. Department of the Air Force | - | - | - | - | - | - | - | - | - | - | - |
| U.S. Department of the Army | - | - | - | - | - | - | - | - | - | - | - |
| U.S. Department of Agriculture | - | (1,072,857) | - | - | - | - | - | - | - | - | (1,072,857) |
| U.S. Department of Commerce | - | (13,484) | - | - | - | - | - | - | - | - | (13,484) |
| U.S. Department of Defense | - | (47,091) | - | - | - | - | - | - | - | - | (47,091) |
| U.S. Department of Education | - | (34,334) | - | - | - | - | - | - | - | - | (34,334) |
| U.S. Department of Energy | - | - | - | - | - | - | - | - | - | - | - |
| U.S. Department of Health and Human Services | - | (589,160) | - | - | - | - | - | - | - | - | (589,160) |
| U.S. Department of Housing and Urban Development | - | (52,687) | - | - | - | - | - | - | - | - | (52,687) |
| U.S. Department of the Interior | - | (192,797) | - | - | - | - | - | - | - | - | (192,797) |
| U.S. Department of Justice | - | (25,728) | - | - | - | - | - | - | - | - | (25,728) |
| U.S. Department of the Navy | - | - | - | - | - | - | - | - | - | - | - |
| U.S. Department of Transportation | - | (20,807) | - | - | - | - | - | - | - | - | (20,807) |
| U.S. Department of the Treasury | - | (430,909) | - | - | - | (5,600) | - | (143,920) | - | - | (580,429) |
| U.S. Department of Veterans Affairs | - | - | - | - | - | - | - | - | - | - | - |
| U.S. Postal Service | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | (64,115) | - | - | - | - | - | - | - | - | (64,115) |
| Transferred to the Public | - | (508,567) | - | - | - | - | - | - | - | - | (508,567) |
| (Increase)Decrease in Amounts to be Transferred | - | (55,946) | - | - | - | (100) | - | (1,538) | - | - | (57,584) |
| Refunds and Other Payments | - | (547) | - | - | - | - | - | - | - | - | (547) |
| Retained by the Reporting Entity | - | (77,415) | - | - | - | - | - | - | - | - | (77,415) |
| **Net Custodial Revenue Activity** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

APPENDIX A

OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION
ANALYSIS AND SUMMARY OF ACTIONS NECESSARY
TO CLOSE THE REPORT

Department management was provided a draft of the Report of Independent Accountants on Internal Controls for their review and concurrence on the findings and recommendations. Their comments are incorporated into the body of the independent accountants' report following the recommendations. Since management concurred with all of the recommendations, this report is being issued resolved; however, additional corrective actions need to be completed in order for the OIG to close the recommendations and the report. The following describes those actions necessary for closure.

**Internal Control Recommendation Number:**

1. **Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 1 in our prior financial statement audit report for fiscal year 2000, OIG Report Number 01-07.

2. **Closed.** We will continue to follow up on this recommendation through our monitoring of the status of recommendation number 2 in our prior financial statement audit report for fiscal year 2000, OIG Report Number 01-07.

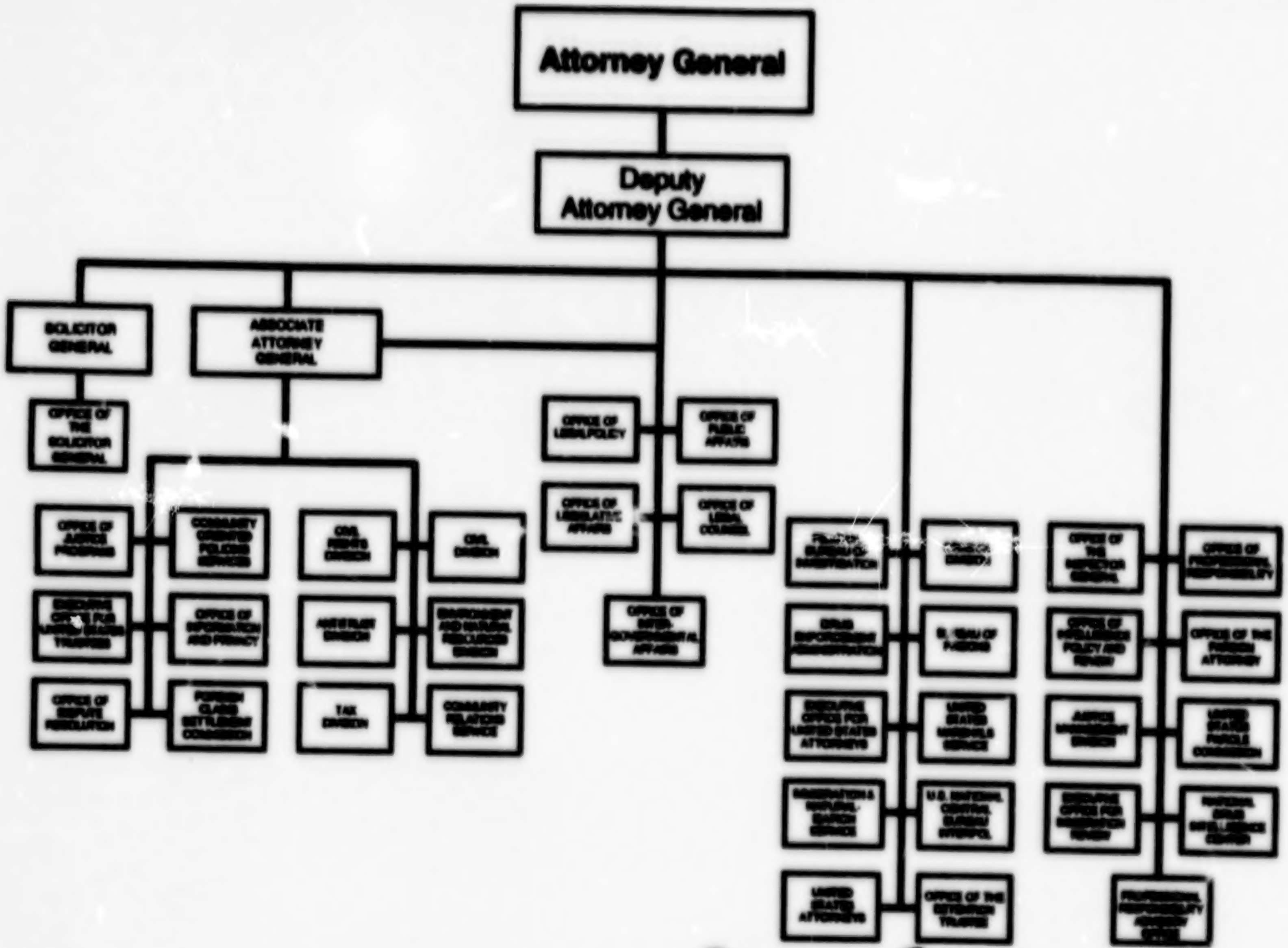
3. **Closed.** We will follow up on general control weaknesses and security issues by monitoring the status of the recommendations noted in the audit reports of the Department data centers and the individual components.

4. **Resolved.** This recommendation can be closed when subsequent audit testing confirms that the Department's components are following the *U.S. Department of Justice Financial Statement Requirements and Preparation Guide (Guide)* and the Chief Financial Officer has provided us with a revised *Guide* that includes the items listed below:

   a) new accounting and reporting requirements of the OMB and/or the FASAB,
   b) accelerated financial statement submission deadlines,
   c) requirements to prepare and submit interim financial statements,
   d) requirements to perform accrual-based accounting throughout the fiscal year, instead of the current dependency to perform them at the end of the fiscal year, and
   e) improved controls over the Department's elimination entry process, its intra-governmental trading partner reconciliation, and preparation and reporting in the MD&A.

5. **Resolved.** This recommendation can be closed when the Department's plans to acquire a Unified Financial Management System have been finalized and systems requirements have been assessed. In the meantime, please provide the OIG with updates on the Unified Financial Management System project.

# U.S. DEPARTMENT OF JUSTICE




Approved by: John Ashcroft Date: May 29, 2001

JOHN D. ASHCROFT
Attorney General

APPENDIX B

**APPENDIX C**

## FINANCIAL STRUCTURE OF THE DEPARTMENT OF JUSTICE

- Assets Forfeiture Fund and Seized Asset Deposit Fund (AFF/SADF)
- Working Capital Fund (WCF)
- U.S. Marshals Service (USMS)
- Office of Justice Programs (OJP)
- Drug Enforcement Administration (DEA)
- Federal Bureau of Investigation (FBI)
- Immigration and Naturalization Service (INS)
- Bureau of Prisons (BOP)
- Federal Prison Industries, Inc. (FPI)
- Offices, Boards, and Divisions (OBD)

**Offices**

Office of the Attorney General
Office of the Deputy Attorney General
Office of the Associate Attorney General
Office of the Solicitor General
Office of Legal Counsel
Office of Legislative Affairs
Office of Professional Responsibility
Office of Legal Policy
Office of Public Affairs
Office of Pardon Attorney
Office of the Inspector General
Community Relations Service
Executive Office for U.S. Attorneys
Office of Dispute Resolution
INTERPOL - U.S. National Central Bureau
Office of Intelligence Policy and Review
Executive Office for Immigration Review
Executive Office for U.S. Trustees
Office of Intergovernmental Affairs
Office of Information and Privacy
Office of Community Oriented Policing Services
National Drug Intelligence Center
Office of the Detention Trustee
Professional Responsibility Advisory Office
Office of Wireless Management

**Boards**

U.S. Parole Commission
Foreign Claims Settlement Commission

**Divisions**

Antitrust Division
Civil Division
Civil Rights Division
Criminal Division
Environment and Natural Resources Division
Tax Division
Justice Management Division

# DEPARTMENT OF JUSTICE
# FY 2000 - FY 2005 STRATEGIC GOALS AND OBJECTIVES

***Goal 1 – Keep America Safe by Enforcing Federal Criminal Laws***

1.1 Reduce the threat, incidence, and prevalence of violent crime, especially as it stems from organized criminal enterprises and drug and gang-related violence.
1.2 Reduce the threat and trafficking of illegal drugs by identifying, disrupting, and dismantling drug trafficking organizations which are international, multijurisdictional, or have an identified local impact.
1.3 Deter and detect espionage against the United States by strengthening counterintelligence capabilities.
1.4 Deter and detect terrorist incidents by developing maximum intelligence and investigative capability.
1.5 Reduce white collar crime, including public corruption, in order to minimize its negative social and economic impacts.

***Goal 2 – Prevent and Reduce Crime and Violence by Assisting State, Tribal, Local, and Community-Based Programs***

2.1 Improve the crime fighting and criminal justice system capabilities of state, tribal and local governments.
2.2 Reduce youth crime and victimization through targeted programs that emphasize both prevention and enforcement
2.3 Break the cycle of substance abuse and crime through testing, treatment, and sanctions.
2.4 Uphold the rights of, and improve services to, America's crime victims.
2.5 Support innovative, community-based programs aimed at reducing crime and violence in our communities.

***Goal 3 – Protect the Rights and Interests of the American People by Legal Representation, Enforcement of Federal Laws, and Defense of U.S. Interests***

3.1 Uphold the civil rights of all Americans through enforcement of, and education about, federal civil rights laws and protections.

3.2 Enforce and defend federal environmental laws and programs across our land, including Indian Country, by investigating and litigating environmental and natural resources violations and issues.

3.3 Promote competition in the United States economy through enforcement of, improvements to, and education about antitrust laws and principles.

3.4 Promote the fair, correct, and uniform enforcement of the federal tax laws and the collection of tax debts to protect the federal fisc from unjustified claims.

3.5 Effectively represent the United States in all civil matters for which the Department of Justice has jurisdiction.

***Goal 4 – Fairly and Effectively Administer the Immigration and Naturalization Laws of the United States***

4.1 Provide accurate, easy-to-use, readily accessible, and up-to-date information which meets the needs of internal and external customers.

4.2 Deliver services to the public in a professional and courteous manner and ensure that correct immigration benefit decisions are made in a timely and consistent fashion.

4.3 Secure the ports-of-entry, land border, and coast of the United States against unlawful entry.

4.4 Facilitate lawful travel and commerce across the borders of the United States.

4.5 Preserve the integrity of the legal immigration system and promote public safety and national security by deterring illegal immigration, combating immigration-related crimes, and removing individuals, especially criminals, who are unlawfully present in the United States.

4.6 Ensure the effective and efficient operational capability of the INS workforce.

4.7 Adjudicate all immigration cases in a timely manner while ensuring due process and fair treatment for all parties.

***Goal 5 – Protect American Society by Providing for the Safe, Humane, and Secure Confinement of Persons in Federal Custody***

5.1 Provide for the safe, secure, and humane confinement of persons who are detained while awaiting trial or sentencing, a hearing on their immigration status, or deportation.
5.2 Ensure that sufficient prison capacity exists so that violent and other serious criminal offenders are imprisoned to the fullest extent of the law.
5.3 Maintain and operate the Federal Prison System in a safe, secure, humane, and efficient manner.
5.4 Provide services and programs to meet critical inmate needs and facilitate their successful reintegration into society, consistent with community expectations and standards.

***Goal 6 – Protect the Federal Judiciary and Provide Critical Support to the Federal Justice System to Ensure It Operates Effectively***

6.1 Protect judges, witnesses, and other participants in federal judicial proceedings and ensure the safe and secure operation of the federal court system.
6.2 Apprehend fugitives from justice.
6.3 Meet the needs of, and uphold the rights of, victims and witnesses of federal crimes.
6.4 Protect the integrity and ensure the effective operation of the nation's bankruptcy system.

***Goal 7 – Ensure Excellence, Accountability, and Integrity in the Management and Conduct of Department of Justice Programs***

7.1 Foster integrity, strengthen management accountability, and promote efficiency and effectiveness to ensure public trust and confidence in Department of Justice programs.
7.2 Improve the effectiveness of Department of Justice operations by strengthening and enforcing controls over assets, improving the usefulness and reliability of financial data for planning and reporting, and maximizing the use of available resources in accomplishing programmatic missions.
7.3 Make effective use of information technology.
7.4 Strengthen human resource recruitment and retention efforts and provide for a workforce that is skilled, diverse, and committed to excellence.

**APPENDIX E**

## ACRONYMS

| | |
|---|---|
| ADIS | Arrival/Departure Information System (INS) |
| AFF/SADF | Assets Forfeiture Fund and Seized Asset Deposit Fund |
| BCCP | Business Continuity and Contingency Plan |
| BMIS | Bond Management Information System |
| BOP | Bureau of Prisons |
| C&A | Certification and Accreditation |
| CAIS | Criminal Alien Information System (INS) |
| CFO | Chief Financial Officer |
| CIO | Chief Information Officer |
| CIRS | Criminal Investigative Reporting System |
| CIS | COPS In Schools |
| COPS | Community Oriented Policing Services |
| COTS | Commercial Off-the-Shelf software |
| CPO | Corrections Program Office |
| CRS | Community Relations Service |
| CSRS | Civil Service Retirement System |
| DCM | Debt Collection Management |
| DCOS | Debt Collection System |
| DEA | Drug Enforcement Administration |
| DMC | Debt Management Center |
| DOJ | Department of Justice |
| DOJCERT | Department Computer Emergency Response Team |
| DOL | Department of Labor |
| DTO | Drug Trafficking Organization |
| EID | Enforcement Integrated Database |
| EOIR | Executive Office for Immigration Review |
| EPIC | El Paso Intelligence Center |
| FASAB | Federal Accounting Standards Advisory Board |
| FBI | Federal Bureau of Investigation |
| FCI | Foreign Counterintelligence |
| FCO | Firearms Control Officers |
| FECA | Federal Employees Compensation Act |
| FEGLI | Federal Employees Group Life Insurance |
| FEHB | Federal Employees Health Benefits |
| FERS | Federal Employees Retirement System |
| FFMIA | Federal Financial Management Improvement Act |
| FFMS | Federal Financial Management System |
| FIST-5 | Fuel In Storage Tank 5-Year [Program] |
| FMFIA | Federal Managers' Financial Integrity Act |

| | |
|---|---|
| FMIS2 | Financial Management Information System 2 |
| FPD | Federal Prisoner Detention [Program] |
| FPI | Federal Prison Industries |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GAO | General Accounting Office |
| GISRA | Government Information and Security Reform Act |
| GMRA | Government Management Reform Act |
| GPRA | Government Performance and Results Act |
| GSA | General Services Administration |
| IG | Inspector General |
| IHP | Institutional Hearing Program |
| IMSS | Information Management and Security Staff |
| INS | Immigration and Naturalization Service |
| INSpect | INS Program for Excellence and Comprehensive Tracking |
| IRP | Institutional Removal Program |
| IT | Information Technology |
| ITIM | Information Technology Investment Management |
| IV&V | Independent Verification and Validation |
| JFMIP | Joint Financial Management Improvement Program |
| JMD | Justice Management Division |
| JPATS | Justice Prisoner and Alien Transportation System |
| LEADS | Law Enforcement Analytical Data System |
| LIFE | Legal Immigration and Family Equity [Act] |
| MD&A | Management's Discussion and Analysis |
| MORE | Making Officer Redeployment Effective |
| NCIC | National Crime Information Center |
| NDIC | National Drug Intelligence Center |
| NIIS | Nonimmigrant Information System |
| NIST | National Institute for Standards and Technology |
| NPT | National Priority Target |
| NSI | National Security Information |
| OBDs | Offices, Boards, and Divisions |
| ODT | Office of the Detention Trustee |
| OIA | Office of Internal Audit |
| OIG | Office of the Inspector General |
| OIRM | Office of Information Resources Management |
| OJP | Office of Justice Programs |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| OPR | Office of Professional Responsibility |
| PDTO | Priority Drug Trafficking Organization |
| PMP | Project Management Professionals |

| | |
|---|---|
| **POE** | **Port-of-Entry** |
| **PRIDE** | **Priority Drug Enforcement** |
| **RSAT** | **Residential Substance Abuse Treatment** |
| **SBF** | **Special Benefits Fund** |
| **SBR** | **Statement of Budgetary Resources** |
| **SBU** | **Sensitive but Unclassified** |
| **SEPS** | **Security and Emergency Planning Staff** |
| **SFFAS** | **Statement of Federal Financial Accounting Standards** |
| **SG** | **Strategic Goal** |
| **TRGP** | **Tribal Resources Grant Program** |
| **TSP** | **Thrift Savings Plan** |
| **UCR** | **Uniform Crime Report** |
| **UHP** | **Universal Hiring Program** |
| **USA** | **United States Attorney** |
| **USMS** | **United States Marshals Service** |
| **UST** | **United States Trustee** |
| **VOI/TIS** | **Violent Offender and Truth-In-Sentencing [Grant Program]** |
| **WCF** | **Working Capital Fund** |

# Index of Justice Component Websites

January 14, 2002

| | |
|---|---|
| American Indian and Alaska Native Affairs Desk (OJP) | http://www.ojp.usdoj.gov/americannative/whats_new.htm |
| Antitrust Division | http://www.usdoj.gov/atr/index.html |
| Attorney General | http://www.usdoj.gov/ag/index.html |
| Bureau of Justice Assistance (OJP) | http://www.ojp.usdoj.gov/BJA/ |
| Bureau of Justice Statistics (OJP) | http://www.ojp.usdoj.gov/bjs/ |
| Civil Division | http://www.usdoj.gov/civil/home.html |
| Civil Rights Division | http://www.usdoj.gov/crt/crt-home.html |
| Community Dispute Resolution (OJP) | http://www.ojp.usdoj.gov/eows/cdr/ |
| Community Oriented Policing Services - COPS | http://www.usdoj.gov/cops/ |
| Community Relations Service | http://www.usdoj.gov/crs/index.html |
| Corrections Program Office (OJP) | http://www.ojp.usdoj.gov/cpo/ |
| Criminal Division | http://www.usdoj.gov/criminal/criminal-home.html |
| Diversion Control Program (DEA) | http://www.deadiversion.usdoj.gov/ |
| Drug Courts Program Office (OJP) | http://www.ojp.usdoj.gov/dcpo/ |
| Drug Enforcement Administration | http://www.usdoj.gov/dea/ |
| Environment and Natural Resources Division | http://www.usdoj.gov/enrd/ |
| Executive Office for Immigration Review | http://www.usdoj.gov/eoir/ |
| Executive Office for U.S. Attorneys | http://www.usdoj.gov/usao/eousa/ |
| Executive Office for U.S. Trustees | http://www.usdoj.gov/ust/ |
| Executive Office for Weed and Seed (OJP) | http://www.ojp.usdoj.gov/eows/ |
| Federal Bureau of Investigation | http://www.fbi.gov/ |

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|---|---|
| Federal Bureau of Prisons | http://www.bop.gov |
| Foreign Claims Settlement Commission of the United States | http://www.usdoj.gov/fcsc/ |
| Immigration and Naturalization Service | http://www.ins.usdoj.gov/graphics/index.htm |
| INTERPOL – U.S. National Central Bureau | http://www.usdoj.gov/usncb/ |
| Justice Management Division | http://www.usdoj.gov/jmd/ |
| National Criminal Justice Reference Service (OJP) | http://www.ncjrs.org/ |
| National Drug Intelligence Center | http://www.usdoj.gov/ndic/ |
| National Institute of Corrections (FBOP) | http://www.nicic.org/ |
| National Institute of Justice (OJP) | http://www.ojp.usdoj.gov/nij/ |
| Office of the Associate Attorney General | http://www.usdoj.gov/aag/index.htm |
| Office of the Attorney General | http://www.usdoj.gov/ag/ |
| Office of the Deputy Attorney General | http://www.usdoj.gov/dag/ |
| Office of Dispute Resolution | http://www.usdoj.gov/odr/ |
| Office for Domestic Preparedness (OJP) | http://www.ojp.usdoj.gov/odp/ |
| Office of Information and Privacy | http://www.usdoj.gov/oip/oip.html |
| Office of the Inspector General | http://www.usdoj.gov/oig/ighp01.htm |
| Office of Intelligence Policy and Review | http://www.usdoj.gov/oipr/ |
| Office of Intergovernmental Affairs | http://www.usdoj.gov/iga/ |
| Office of Justice Programs | http://www.ojp.usdoj.gov/ |
| Office of Juvenile Justice and Delinquency Prevention (OJP) | http://ojjdp.ncjrs.org/ |
| Office of Legal Counsel | http://www.usdoj.gov/olc/index.html |
| Office of Legal Policy | http://www.usdoj.gov/olp/ |
| Office of Legislative Affairs | http://www.usdoj.gov/ola/ |
| Office of the Pardon Attorney | http://www.usdoj.gov/pardon/ |

| | |
|---|---|
| Office of the Police Corps and Law Enforcement Education (OJP) | http://www.ojp.usdoj.gov/opclee/ |
| Office of Professional Responsibility | http://www.usdoj.gov/opr/index.html |
| Office of Public Affairs | http://www.usdoj.gov/opa/index.html |
| Office of the Solicitor General | http://www.usdoj.gov/osg/ |
| Office of Tribal Justice | http://www.usdoj.gov/otj/index.html |
| Office for Victims of Crime (OJP) | http://www.ojp.usdoj.gov/ovc/ |
| Tax Division | http://www.usdoj.gov/tax/ |
| U.S. Attorneys | http://www.usdoj.gov/usao/eousa/usaos.html |
| U.S. Marshals Service | http://www.usdoj.gov/marshals/ |
| U.S. Parole Commission | http://www.usdoj.gov/uspc/ |
| U.S. Trustee Program | http://www.usdoj.gov/ust/ |
| Violence Against Women Office (OJP) | http://www.ojp.usdoj.gov/vawo/ |

APPENDIX G

# DEPARTMENT OF JUSTICE

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

## CORRECTIVE ACTION REPORTS

## for

## FISCAL YEAR 2001



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## TABLE OF CONTENTS

| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>1985-6201 | **Organization**<br>Bureau of Prisons |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>Prison Crowding | |
| **Date First Initiated**<br>1985 | **Original Target for Completion**<br>09/95 | **Current Target for Completion**<br>On-going | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br>Material Weakness | |
| **Source Title**<br>BOP | | | **Date of Source Report**<br>1985 | **Issue Type (DOJ Rating)**<br>Material Weakness | |

**Issue Description**

In 1985 the Bureau's Executive Staff recognized crowding as a material weakness. The crowding rate grew through 1990 to a high of 69% over the Bureau's rated capacity. As of September 30, 2001, the crowding rate was 32% over rated capacity. The Bureau continues to rely on funding for construction and the acquisition of additional facilities to keep pace with a growing inmate population and to gradually reduce our crowding rate, thereby ensuring the manageable operation of the system.

The Bureau's (owned and operated) institution-based population was 130,327 as of September 30, 2001, an increase of 4,767 inmates over the 125,560 inmates housed on September 30, 2000. It should be noted that the total Bureau population (including contract facilities) increased by 11,447 during FY 2001. The FY 2001 increase surpassed FY 2000 by 11 inmates. The population projections were revised during January 2002 based on the Office of Research's analysis of data provided by the Administrative Office of the United States Courts.

We project the population will continue to grow and should reach 196,535 by September 30, 2006. Through the construction of new facilities and expansion projects at existing institutions, our Long Range Capacity Plan projects a rated capacity of 127,185 beds by September 30, 2006. Should new construction and expansion plans continue through FY 2006 as planned, crowding is projected to be 31% over the projected rated capacity.

**What We Will Do About It**

Increase the amount of beds in the Bureau to keep pace with the projected increases in the federal inmate population. Efforts to reach this goal include expanding existing institutions, acquiring surplus properties for conversion to correctional facilities, constructing new institutions, utilizing contract facilities, and exploring alternative options of confinement for appropriate cases.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| **A. Completed Actions/Events**<br><br>**Planning estimates called for a rated capacity of 98,440 to be reached by FY 2001. A rated capacity of 98,425 was attained.** | 09/01 | | 09/01 |
| **B. Short Term (10-01/10-02)**<br><br>**Planning estimates call for a rated capacity of 103,991 to be reached by close of FY 2002.** | 09/02 | | |
| **C. Longer Term (10-02 and Beyond)** | | | |
| **Focus the use of limited Community Corrections Center resources to provide relief, as appropriate, to facilities housing low and medium security inmates.** | 09/93 | | On-going |
| September 30, 2003<br>Inmate Population: 146,139<br>Rated Capacity: 106,642<br>Crowding Rate: 37% | 09/03 | | |
| September 30, 2004<br>Inmate Population: 152,301<br>Rated Capacity: 113,601<br>Crowding Rate: 34% | 09/04 | | |
| September 30, 2005<br>Inmate Population: 160,390<br>Rated Capacity: 120,275<br>Crowding Rate: 33% | 09/05 | | |
| September 30, 2006<br>Inmate Population: 196,535<br>Rated Capacity: 127,185<br>Crowding Rate: 31% | 09/06 | | |

**How We Will Know It Is Fixed**

Results are measured as a new institution or expansion project is activated, and resulting increases in rated capacity are established. A corresponding decrease in the crowding percentage rate will also be a tangible measurement of the results. Progress on construction projects at new and existing facilities can be validated via on-site inspections of each facility or by review of monthly construction progress reports.

| **U. S. DEPARTMENT OF JUSTICE**<br>**Corrective Action Report**<br>**Issue and Milestone Schedule** | | | | **Issue ID**<br>1989-6401 | **Organization**<br>Department of Justice; U.S. Marshals Service; Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>Detention Space and Infrastructure | |
| **Date First Initiated**<br>09/30/89 | **Original Target for Completion**<br>09/30/92 | **Current Target for Completion**<br>11/30/04 | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br>Material Weakness | |
| **Source Title** | | | **Date of Source Report** | **Issue Type (DOJ Rating)**<br>Material Weakness | |

**Issue Description**

Detention space for the United States Marshals Service (USMS) and the Immigration and Naturalization Service (INS) has been a management challenge since 1989. Both agencies are experiencing rapid growth in their use of detention space, from an average of 31,966 beds in 1996 to a projected 50,856 beds in 2002. The USMS is experiencing a shortage of detention space near federal court cities, resulting in the need to transport prisoners to other distant facilities, often in other states. The INS apprehends 1.6 million illegal aliens annually. The INS has some discretion on who it detains; however, because of statutory changes enacted by Congress in 1996, INS is required to detain certain aliens until their removal. This results in the detention of more aliens who previously could have been released on bond pending the outcome of their removal proceedings. Furthermore, it is the INS' experience that the vast majority of non-detained aliens do not appear for their removal hearings and/or do not surrender for removal after a final order of removal has been issued. Therefore, detention is an effective tool to ensure participation in removal proceedings and compliance with removal orders. This expanding need for detention space places increasingly heavy demands on the INS and USMS infrastructure, including transportation, buildings, communications equipment, and staff. This also increases concerns related to health and safety of detainees and USMS and INS employees.

**What We Will Do About It**

To deal with this multi-agency issue, the Department of Justice (Department) created a Detention Planning Committee which, in turn, developed a multi-year Federal Detention Plan. The Department worked with the USMS, INS, and the Bureau of Prisons to update this plan in February 2000. In addition, the Department appointed a Detention Trustee in FY 2001 and established the Office of the Detention Trustee (ODT). The Detention Trustee is now responsible for oversight and management of many multi-agency issues related to detention.

The USMS will maintain and expand the use of state and local jail space through the use of Interagency Agreements (IGAs), the Cooperative Agreement Program, and the recently expanded contract authority for service contracts for contract beds. The USMS also plans to establish detention management and oversight positions at contract jails housing 200 or more USMS prisoners.



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|---|---|---|---|
| The INS will pursue alternatives to detention and less restrictive detention options in the coming years. INS is committed to ensuring that, to the greatest extent possible, detained aliens are placed in facilities appropriate to their background and circumstance. INS will continue to review the management of the Detention and Removal Program via the INS Program for Excellence and Comprehensive Tracking (INSpect) and through the newly created Operations Analysis, Training, and Compliance Division. The scope of the review includes facility issues, security and control, detainee conduct and detainee services, transportation and escort, and docket control.<br><br>Regarding milestone #3, INS has created a robust detention bed space projection model, in conjunction with an experienced Department contractor. This model will help INS manage resources and forecast bed space requirements. The model is district based and will assist the INS in the justification of needed staff, budget, and construction requests. These efforts will contribute to the Departmentwide model. | | | |
| **Milestones** | **Original Target Date** | **Current Target Date** | **Actual Date of Completion** |
| 1. Establish a Detention Trustee. | 09/30/01 | 09/30/01 | 09/30/01 |
| 2. Expand the current 5-year contract authority for Service Contracts. (Public Law 106-553) | 09/30/99 | 11/30/00 | 12/21/00 |
| 3. Create a more encompassing model for projecting detainee population. (INS) | 05/30/01 | 05/30/01 | 07/30/01 |
| 4. Establish detention management and oversight positions at contract jails housing 200 or more USMS prisoners. (USMS) | 11/30/99 | 11/30/04 | |
| 5. Establish an oversight team to handle privatization issues and private jail contracts. (ODT) | 11/30/99 | 11/30/02 | |
| 6. Complete a needs assessment and develop a baseline report. (ODT) | 05/05/02 | 05/05/02 | |
| **How We Will Know It Is Fixed**<br><br>Comparing the number of bed spaces needed by location for federal detainees to the number of bed spaces actually available in those locations. | | | |

| U. S. DEPARTMENT OF JUSTICE<br>Corrective Action Report<br>Issue and Milestone Schedule | | | | Issue ID<br>1991-0098 | Organization<br>Department |
|---|---|---|---|---|---|
| | | | | Issue Title<br>Computer Security | |
| Date First Initiated<br>09/30/85 | Original Target for Completion<br>09/30/91 | Current Target for Completion<br>02/15/02 | Actual Date of Completion | Issue Type (Organization Rating)<br>Material Weakness | |
| Source Title | | | Date of Source Report | Issue Type (DOJ Rating)<br>Material Weakness | |

**Issue Description**

The Department of Justice (Department) is increasingly dependent on automated information systems and their interconnections to achieve its mission and meet the needs of the citizens it serves. Since the Department's computer systems and networks now collect, process, store, and transmit most of the sensitive and classified information used in almost every aspect of the Department, controls must be in place to ensure the availability, integrity, and confidentiality of this information and the reliability of the computer systems and networks. The Justice Management Division (JMD) has responsibility and authority for establishing policy and providing direction and oversight to components with regard to information technology (IT) security.

Computer security has been designated a material weakness since 1991 and continues to be a major focus of senior management attention.

**What We Will Do About It**

JMD is responsible for the Department's IT security program and provides policy, guidance, direction, and oversight activities across the Department. During the past 12 months, JMD has taken a number of actions that not only reflect the commitment of present management to correcting past deficiencies, but also establish a solid foundation for sustained future progress. For example:

- Under the leadership of the Attorney General's office, JMD has begun an IT strategic planning effort that will, in part, establish the foundation for a departmental security architecture. This effort is consistent with the management goals announced by the Attorney General on November 8, 2001.

- In July 2001, JMD issued a new IT security policy that sets strong Departmentwide standards for component security programs and system security controls.

- JMD has continued to conduct an aggressive program of penetration tests and independent assessments and to carefully follow up on the results. This effort provided the foundation for several components to begin conducting regular penetration testing on their systems, thus enhancing the overall security of these systems.

- Components certified and accredited 83% of Department systems by July 2001. While neither perfect nor complete, this effort enabled the Department to identify weaknesses more systematically and identify and monitor corrective actions. The Federal Bureau of Investigation (FBI) was unable to complete its certification and accreditation (C&A) activities; however, the Department Chief Information Officer (CIO) and the FBI have agreed to a schedule and JMD will continue to monitor their progress.

- JMD has established a database that will assist in tracking and remedying security weaknesses system by system. This database is a single repository of findings and corrective actions identified through C&A activities, audits, penetration testing, and other reviews.

- JMD has integrated security with the Department's capital planning and investment controls processes. This integration has occurred both formally, through the issuance of new policy and guidance, and in practice, through the inclusion of security as an explicit agenda item in internal discussions of IT plans, performance, and funding.

- JMD has identified a list of critical IT, personnel, and physical assets that support the Department's critical infrastructure in support of Presidential Decision Directive-63. This list includes the asset name, location, description, and strategic goal supported; potential impact of loss; and interdependencies. Using the vulnerability reports and independent assessment developed through the C&A activities, JMD completed the critical infrastructure planning vulnerability analysis and is currently finalizing the remedial plan for corrective action.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. The Department will identify its critical infrastructure assets, perform the required vulnerability assessment on those assets, and develop a corrective action plan for any asset that does not have satisfactory protections in place. | 05/31/01 | 02/15/02 | |
| 2. Components will certify and accredit their information technology systems. The CIO will establish and track FBI progress. | 12/31/00 | 07/01/01 | 07/01/01 |
| 3. JMD/Information Management and Security Staff (IMSS) will establish and operate an Independent Verification and Validation (IV&V) program that will review component C&A activities. JMD will implement an enhanced IV&V program to incorporate classified systems. | 12/31/00 | 12/31/01 (Revised to include classified systems) | 12/31/01 |
| 4. JMD/IMSS will develop and implement IT security policy for sensitive but unclassified computer systems and networks. | 01/01/98 | 03/01/01 | 07/12/01 |
| 5. JMD/SEPS will develop and implement IT security policy for national security information (classified) computer systems and networks. | 03/31/01 | 03/31/01 | 07/12/01 |

**How We Will Know It Is Fixed**

Department components will have established computer security programs and will have implemented Department policy and guidance.

All Department component systems will continue to be properly certified and accredited and selected major systems and networks will undergo IV&V.

Computer security planning will be integrated into the system development life cycle.

Penetration testing and Inspector General and General Accounting Office audits will not discover significant numbers of weak technical controls or non-compliance with computer security policy.

The CIO has determined that the Department's critical infrastructure planning is adequate.

| **U. S. DEPARTMENT OF JUSTICE**<br>**Corrective Action Report**<br>**Issue and Milestone Schedule** | | | | **Issue ID**<br>1997-4810 | **Organization**<br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>Monitoring of Alien Overstays | |
| **Date First Initiated**<br>10/01/97 | **Original Target for Completion**<br>10/31/98 | **Current Target for Completion**<br>10/31/02 | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br>Material Weakness | |
| **Source Title**<br>OIG Inspection Report I-97-08 | | | **Date of Source Report**<br>09/04/97 | **Issue Type (DOJ Rating)**<br>Material Weakness | |

**Issue Description**

In September 1997, the Office of the Inspector General (OIG) issued an inspection report on the Immigration and Naturalization Service's (INS) Monitoring of Nonimmigrant Overstays. The report found that, although nonimmigrant overstays (i.e., foreign visitors who legally enter the United States and then do not leave) comprise a significant percentage of the illegal alien population in the United States, the INS has insufficient systems to compile information on the overstay population, and lacks an enforcement policy that specifically targets the overstay population. In its response to the final inspection report, the INS will outline the steps that it will take to implement the recommendations contained in the report.

**What We Will Do About It**

The INS is in the process of developing an integrated system that will capture both arrival and departure information of aliens entering the United States. The Arrival/Departure Information System (ADIS) will be used as the repository for the arrival and departure information. This system, once fully operational, will replace the legacy Nonimmigrant Information System (NIIS). We are reviewing systems, including the Interagency Border Inspections System, to serve as the collection platform for ADIS. When ADIS is operational, the Department of State will be provided access.

**Milestone 2 no longer contains the language regarding the proposed rule because recent legislation has negated a need for a change to the existing rule 8 CFR 231. However, training was completed as of October 2001.**

| **Milestones** | **Original Target Date** | **Current Target Date** | **Actual Date of Completion** |
|---|---|---|---|
| 1. Take a course of action that will improve upon the current NIIS data or implement a strategy to replace NIIS with a workable system. | 02/27/98 | 01/31/01 | 07/01/01 |
| 2. Develop a training module as part of the Carrier Consultant Program that addresses carrier requirements for submitting departure documents (I-94's). | 04/30/98 | | 10/22/01 |
| 3. Analyze overstay data and design a process to obtain accurate information of air and sea arrivals. | 06/30/98 | | 07/28/98 |



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| **4. Provide complete and current information to the Department of State to screen visa applicants.** | **07/31/98** | **10/31/02** | |
| **5. Establish a specific plan for initiating a comprehensive compliance program, including fining, for airlines for collection of I-94's.** | **08/30/98** | | **09/30/98** |
| **6. Perform an analysis of overstay information that will support an overstay enforcement strategy.** | **10/31/98** | | **06/25/99** |

**How We Will Know It Is Fixed**

**When ADIS is in place and being used at the Ports of Entry, the INS will be able to query on arrival and departure data and report on the number of overstays in the United States.**

<table>
<tr><td colspan="4" rowspan="2">U. S. DEPARTMENT OF JUSTICE<br>Corrective Action Report<br>Issue and Milestone Schedule</td><td>Issue ID<br>1997-4809</td><td>Organization<br>Immigration and Naturalization Service</td></tr>
<tr><td colspan="2">Issue Title<br>Organizational and Management Issues</td></tr>
<tr><td>Date First Initiated<br>10/01/97</td><td>Original Target for Completion<br>10/01/97</td><td>Current Target for Completion<br>09/30/02</td><td>Actual Date of Completion</td><td colspan="2">Issue Type (Organization Rating)<br>Material Weakness</td></tr>
<tr><td colspan="3">Source Title<br>GAO/GGD-97-132</td><td>Date of Source Report</td><td colspan="2">Issue Type (DOJ Rating)<br>Material Weakness</td></tr>
</table>

**Issue Description**

In July 1997, the General Accounting Office (GAO) issued a report on its efforts to follow up on a previous Immigration and Naturalization Service (INS) management report to determine whether steps had been taken to correct some of the most significant management problems identified in its initial report. The GAO found that the INS must take steps to further resolve management problems, to include clarifications of lines of communication and the dissemination of organizational policies and guidelines through manuals.

**What We Will Do About It**

Evaluate roles and responsibilities of organizational entities and reassign duties where necessary; provide written guidance on appropriate relationships, communication methods, and coordination among the INS programs and offices; review staff levels, where necessary; issue comprehensive policy manuals; and periodically review the new deployment planning process.

Milestones 1, 2, 3, 4: Completed in previous years.

Milestone 5: Conversion of documentation from older formats into the new field manual format has been slower than anticipated, and updating "completed manuals" involves more resources than anticipated. However, based on progress to date, INS expects to meet its Implementation Plan target of 85 percent initial manual release by 09/30/02, with 100 percent release of all operations field manuals by 09/30/03.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. Review the roles and responsibilities of the various organizational entities to determine if there are more effective ways to distribute functions among these entities. | 11/30/97 | | 02/15/98 |
| 2. Based on the results of this review, realign, clarify, and integrate the roles and responsibilities of the various organizational entities. | 04/30/98 | | 11/30/98 |
| 3. Implement deployment planning process on a pilot basis. | 09/30/98 | | 09/30/98 |
| 4. Revise and review Administrative Manuals. | 09/30/98 | | 09/30/98 |



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| 5. Develop new field manuals containing policies and procedures on how to implement the immigration laws. | 03/30/00 | 09/30/03 | |

**How We Will Know It Is Fixed**

The INS will have improved internal communications, updated policy manuals, efficiently allocated staff resources, and strengthened program planning. Field manuals will be considered fully developed when the initial release of all chapters of all four field manuals (Inspector's, Adjudicator's, Special Agent's, and Deportation Officer's) has been issued and a procedure is in place for timely updating of all manuals. The manuals themselves are never "complete" since immigration laws, regulations, and policy are always in a state of evolution.

| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>1997-4813 | **Organization**<br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>Management of Automation Programs | |
| **Date First Initiated**<br>03/98 | **Original Target for Completion**<br>09/30/00 | **Current Target for Completion**<br>10/01/02 | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br>Significant Concern | |
| **Source Title**<br>OIG Audit Report #98-09 | | | **Date of Source Report**<br>03/26/98 | **Issue Type (DOJ Rating)**<br>Material Weakness | |

**Issue Description**

The Immigration and Naturalization Service (INS) Office of Information Resources Management (OIRM) has experienced continuing and longstanding difficulty in providing timely and consistent information about its activities. The OIRM has been cited by the Office of the Inspector General (OIG) for the lack of adequate management controls and repeatable business processes to efficiently and effectively manage information technology (IT) at INS.

**What We Will Do About It**

The INS provided a response to the OIG relating to INS' Management of Automation Programs (OIG Audit Report #98-09). At this time, INS awaits a formal response from the OIG on this audit.

Milestones 1, 2, and 3: Completed.

Milestone 4: INS concurs that an effective mechanism to track cost, schedule, and performance data for the IT projects would provide effective oversight capabilities to monitor and execute the projects in the IT portfolio. In INS' response to the OIG, INS presented the current approach to addressing these issues through use of quad charts and quarterly project management reviews with the portfolio managers and the Department of Justice.

Milestone 5: OIRM is preparing to engage external contractors to review various project management tools that could be procured to meet their requirements. The review will be conducted in FY 2002 and will provide recommendations on approaches to OIRM management. OIRM anticipates identifying, selecting, and implementing a project management tool, if that is the ultimate recommendation of the external review, by the start of 2003. Funds were not available in FY 2001 to accomplish this.

Milestone 6: OIRM is currently executing this milestone. OIRM initiated a project management training program for a group of its project managers to learn the project management body of knowledge. This training program provides critical knowledge on project management principles as defined by the Project Management Institute. It is anticipated that a number of the group members will qualify as certified project management professionals (PMPs) at the conclusion of the training program. The revised target date reflects the time necessary to complete this training program.

Milestone 7 ("Develop multi-year project plans" from last year's report): Deleted. Most of the IT activities are steady-state operations and maintenance requirements for systems or IT operations. Projects in the operations and maintenance phase will not have multi-year project plans associated with them.

Explanation for change in target dates:

Milestones 4 and 5: A clarification meeting was held with the OIG during the second quarter 2001. Preliminary information suggested that the approach to closing Milestone 4 may not be acceptable. However, the OIG indicated it would consider the approach and provide a formal response to INS, once INS delivered its formal response to the OIG. INS awaits the OIG response. However, after the meeting, the Associate Commissioner determined that the organization would move forward to identify an appropriate tool/approach to managing cost, schedule, and performance. This process is in the initial stages, and OIRM will engage its integration contractor to support this effort. The new target date reflects the belief that a tool/approach can be identified, and procurement completed by the end of FY 2002. The goal would then be to implement and use the tool/approach in FY 2003.

Milestone 6: Development of the training program was finalized in the second quarter 2001, and the first course was completed in March 2001. The training program was designed as a full year training program to enable the participants to manage work requirements while they participate in the program. The training program has courses scheduled every 2 months through May 2002.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. Develop an FY 1999 budget execution plan for OIRM. | 11/30/98 | | 01/29/99 |
| 2. Develop FY 1999 project plans. | 02/28/99 | | 04/30/99 |
| 3. Create a tracking capability within OIRM to track IT-oriented contract activities. | 01/31/99 | | 09/30/99 |
| 4. Create a tracking capability that fully supports cost, schedule, and performance tracking at the IT project level. | 09/30/00 | 10/01/02 | |
| 5. Select project management tool. | 09/30/99 | 10/01/02 | |
| 6. Provide project management training to IT managers. | 09/30/99 | 05/31/02 | |

**How We Will Know It Is Fixed**

INS will be able to produce accurate project management information for IT projects, including cost, schedule, and performance tracking information.

| U. S. DEPARTMENT OF JUSTICE<br>Corrective Action Report<br>Issue and Milestone Schedule | | | | Issue ID<br>1997-4801 | Organization<br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | Issue Title<br>Efforts to Identify and Remove Criminal Aliens | |
| **Date First Initiated** | **Original Target for Completion** | **Current Target for Completion** | **Actual Date of Completion** | **Issue Type (Organization Rating)** | |
| 10/01/97 | 09/30/99 | 09/30/03 | | Material Weakness | |
| **Source Title** | | | **Date of Source Report** | **Issue Type (DOJ Rating)** | |
| GAO/T-GGD-97-154 | | | 07/15/97 | Material Weakness | |

**Issue Description**

In July 1997, the General Accounting Office (GAO) issued a report on the Immigration and Naturalization Service's (INS) Institutional Hearing Program (IHP). The report noted that the INS: (1) failed to identify many deportable criminal aliens, including aggravated felons, and initiate IHP proceedings for them before they were released from prison; (2) did not complete the IHP by the time of prison release for the majority of criminal aliens it did identify; and (3) has not realized intended enhancements to the IHP.

**What We Will Do About It**

**While all milestones from last year's report have been completed, GAO considers their report still open. Below is a discussion of the current state of the Institutional Removal Program (IRP, formerly known as the IHP) and new milestones that will close the issue.**

Since 1997, the IRP has continued to exceed its annual removal goals. The IRP also has focused more attention on up-front processing to ensure that criminal aliens are not released into INS' custody without removal orders. Furthermore, INS has created a mechanism to finalize unfinished removal proceedings within 1 day of release from federal, state, or local incarceration. INS is in the process of finalizing the IRP transition plan from Investigation to the Detention and Removal program. A significant aspect of this plan will be to fully determine the resources required to support the entire IRP process. While Immigration Agent attrition rates have stabilized, in FY 2002, the INS will finalize a reclassification of Immigration Agents and Detention Enforcement Officers into one job series. This will provide greater authority to more officers to work IRP cases. This job series will have lower attrition and it is anticipated that any attrition will be into other higher-graded INS jobs, such as Deportation Officers. Finally, the IRP Criminal Alien Information System (CAIS) has been deployed to all federal sites. INS is exploring the possibility of deploying CAIS to state IRP programs and/or using functionality already in the INS' ENFORCE system to track and manage IRP cases. Eventually, all IRP case management and tracking functions will be incorporated into ENFORCE Apprehension and Removal modules.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. Publish policy-clarifying roles and responsibilities of the special agents in the IRP. | | | 10/31/97 |
| 2. Identify causes of Immigration Agent attrition, and take action to ensure adequate staffing is achieved. | 09/30/99 | | 09/30/00 |

| | | | |
|---|---|---|---|
| 3. Develop a workload analysis model to ascertain the need for IRP resources. | | | 06/30/98 |
| 4. Establish controls to ensure aggravated felons are identified and tracked, and improve the ability to deport them while they are imprisoned. | 04/01/99 | | 07/31/99 |
| 5. Incorporate an IRP process module into ENFORCE. | 09/30/99 | | 04/30/00 |
| 6. Reclassify Immigration Agents and Detention Enforcement Officers. | 09/30/02 | 09/30/02 | |
| 7. Deploy ENFORCE removals module. | 09/30/03 | 09/30/03 | |

**How We Will Know It Is Fixed**

INS will have the ability to identify and track eligible incarcerated criminal aliens so that IRP proceedings can be initiated and completed. Issuance of final deportation orders will ensure expeditious deportation of eligible criminal aliens upon release from prison.

| U. S. DEPARTMENT OF JUSTICE<br>Corrective Action Report<br>Issue and Milestone Schedule | | | | Issue ID<br><br>2000-4802 | Organization<br><br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | Issue Title<br><br>Alien Smuggling: Management and Operational Improvements Needed to Address a Growing Problem | |
| Date First Initiated<br><br>05/05/00 | Original Target for Completion<br><br>09/30/01 | Current Target for Completion<br><br>09/30/03 | Actual Date of Completion | Issue Type (Organization Rating)<br><br>Material Weakness | |
| Source Title<br><br>GAO/GGD-00-103 | | | Date of Source Report<br><br>05/05/00 | Issue Type (DOJ Rating)<br><br>Material Weakness | |

**Issue Description**

Between FY 1997 and FY 1999 the number of apprehended aliens smuggled into the United States increased nearly 80 percent. The Immigration and Naturalization Service (INS) predicts that the smuggling will continue to increase and that alien smuggling organizations will become more sophisticated, organized, and complex. The General Accounting Office (GAO) studied both the domestic and international components of INS' anti-smuggling strategy, written in 1997, and in a report dated May 2000 (GGD-00-103), GAO listed the following impediments to the domestic component: 1) a lack of program coordination; 2) the absence of an agencywide automated case tracking and management system; and 3) limited performance measures to assess the effectiveness of the strategy.

Additionally, GAO stated that INS' Intelligence Program has been impeded by a lack of understanding among field staff on how to report intelligence information, a lack of staff to perform intelligence functions, and an inefficient and cumbersome process of organizing data that does not allow for rapid retrieval and analysis. As a result, INS has limited ability to identify targets for enforcement and to help focus its anti-smuggling resources on efforts that would have the greatest impact.

GAO recommended that INS:
1. Establish criteria for opening an anti-smuggling case.
2. Establish a cost-effective case tracking and management system of alien smuggling investigations that is automated, agencywide, and readily available to investigative personnel and program managers to facilitate the sharing of case information and prevent duplication of efforts.
3. Establish performance measures for the anti-smuggling efforts and intelligence program with which to gauge program efforts.
4. Require intelligence reports be prepared using a database format so the information can be systematically analyzed.

**What We Will Do About It**

The automated systems referred to in past Corrective Action Reports are one set of systems now combined under the name ENFORCE.



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GAO Recommendation 1: Complete. The Investigations Division established criteria for opening smuggling cases.

GAO Recommendation 2: Complete. A national case tracking and management system, the Criminal Investigative Reporting System (CIRS), is available for installation via the INS intranet, and is part of the umbrella of systems known as ENFORCE. CIRS is a Microsoft Access case tracking and case management software program that agents, supervisors, and program managers use to generate case reports, track the progress of investigations, and manage case work. In day-to-day operations, the CIRS data is uploaded to INS' national ORIONLeads® file server so other INS offices can review case reports and conduct link analysis functions. As the interfaces between other enforcement systems are developed, this data will migrate to the Enforcement Integrated Database (EID). Deployment is on-going globally.

GAO Recommendation 3: As in any law enforcement organization, INS must measure itself by prosecuting, dismantling, or disrupting the on-going criminal enterprises. The INS established a performance measure for FY 2002 of four major anti-smuggling cases focusing on national security issues or terrorism, with three of the four in the Caribbean or South/Central America and one along the northern border of the United States. Further, the INS is working hand in hand with the intelligence community and other federal law enforcement agencies in selecting a working target list of smugglers. INS intelligence continues its measures of program effectiveness which are defined as: the number of personnel trained in intelligence processes; the number of new trans-national smuggling cases identified; the number of investigative leads disseminated; and the number of "special operations" driven by intelligence. In specific reference to alien smuggling, INS will measure shifts in the smuggling corridors using reported smuggling fees in a timeline comparison, with an overlay of data on smuggling load size. The deployment of the automated systems described in the paragraphs above and below will aid in the collection and analysis of this data. While great precision may not be possible, this should result in a clearer understanding of human smuggling dynamics along the southern border in the long term. This collection, analysis, and reporting effort will be carried out with support from the Alien Intelligence Unit at El Paso Intelligence Center (EPIC).

GAO Recommendation 4: The combined systems under the umbrella of ENFORCE and the INS intranet are being linked into one intelligence database. CIRS provides investigators with a way to report intelligence while conducting investigations. ENFORCE modules used by Border Patrol Agents also provide this facility for the Border Patrol. Also, the automated G-392 (Intelligence Report), available through the INS intranet, globally allows all other personnel, (Inspectors, Intelligence Officers, and some Border Patrol Agents) to file specific intelligence reports as needed. The INS is deploying CIRS to field offices having responsibility for conducting alien smuggling investigations. The system is already fully deployed in the Western Region and partially deployed in the Central Region. Completion of the deployment is planned for September 30, 2002. The analytical tool for all of this collected information is the Law Enforcement Analytical Data System (LEADS), provided by a commercial vendor under the brand name of ORIONLeads®, which resides as a tool under the ENFORCE umbrella. The combination of LEADS with CIRS under ENFORCE will give the INS the ability to mine data from interfaced enforcement databases and intelligence and investigative reports, particularly as they relate to smuggling activities and terrorist cells. All intelligence reports are currently required to be entered using the automated G-392. However, once CIRS is deployed, the gaps in the intelligence/information database seen by GAO will be closed.

**Last year's milestone, "Develop alien smuggling strategic goals and coordination guidance vis a vis the Migrant Trafficking and Smuggling Coordination Center," has been removed. The Migrant Trafficking and Smuggling Coordination Center was to be set up by the Department of State, but was not; therefore the milestone was removed and INS is taking the appropriate course of action.**

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. Deployment of automated tools. (Deploy intelligence collection and analysis information.) | 09/30/02 | 09/30/02 | |
| 2. Creation of interfaces to enforcement databases. (Deploy intelligence collection and analysis infrastructure.) | 09/30/02 | 09/30/03 | |
| 3. Measurement of corridor shifts. (Develop measurement of alien smuggling "shifts.") | 09/30/03 | 04/01/02 | |

**How We Will Know It Is Fixed**

This will be completed when CIRS is deployed to all special agents and program managers having responsibility for conducting alien smuggling investigations; when the INS has the ability to review a specific smuggling case to track the case activity and link the significant information in that case with database information in the enforcement systems of the Service, as well as other law enforcement information systems; and when Headquarters' Intelligence files a report analyzing shifts in the smuggling corridors.

| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>1990-4803 | **Organization**<br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>Delivery Bonds | |
| **Date First Initiated** | **Original Target for Completion** | **Current Target for Completion** | **Actual Date of Completion** | **Issue Type (Organization Rating)** | |
| 09/30/90 | 09/30/92 | | 09/30/01<br>**(CLOSED)** | Material Weakness | |
| **Source Title**<br>GAO/AFMD-91-20 and OIG Inspection Report I-98-18 | | | **Date of Source Report**<br>01/01/91 | **Issue Type (DOJ Rating)**<br>Material Weakness | |

**Issue Description**

The Immigration and Naturalization Service (INS) is experiencing difficulty in collecting breached bonds owed the Government due to (1) inadequate documentation and recordkeeping by operating units, and (2) lack of an INS-wide bond management system to track bonds underwritten by sureties and bill sureties when bonds are breached.

**What We Will Do About It**

***This issue is CLOSED***

Milestones 1, 2, and 3: completed in previous years.

Milestone 4: The INS implemented the Debt Collection System in 1994 and the Bond Management Information System in 1996. In 1999, bond processing was consolidated at the INS Debt Management Center (DMC). Throughout FY 2001, there were no backlogs in recording and billing for breaches at the DMC. Although some issues remain with field office delays in forwarding documentation to the DMC, the DMC sends monthly notices to the field offices when bond documentation is late. Considerable improvement has been noted as a result of this action.

Milestone 5: During FY 2001, the DMC issued quarterly follow-up reports on approximately 10,000 bonds per quarter. Field response rates in the last two quarters have exceeded 70 percent. In addition, the Executive Associate Commissioner for Management initiated a bond inventory reduction project in April 2001 to focus attention on bonds issued in 1995 and prior to determine if these older bonds should be breached or canceled.



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| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. Provide additional administrative positions to support bond management activities in the field. | 10/30/92 | | 01/20/93 |
| 2. Include Treasury's Surety Bond Eligibility table in bond management information system to verify companies' eligibility to write surety bonds. | 09/30/92 | | 01/30/93 |
| 3. Capture documentation on surety bonds issued before new bond accounting procedures of May 1991. | 09/30/92 | | 09/30/97 |
| 4. Develop and implement an integrated system for tracking bond activity and bill sureties when breaches occur. | 09/30/92 | | 09/30/01 |
| 5. Review all open bond cases. | | | 09/30/01 |

**How We Will Know It Is Fixed**

The system and review process now in place enables the INS to maintain a good bond inventory and to bill sureties when bonds are breached. Although there will always be a certain amount of lag time from the time a bond is breached until the surety is billed, the system and review process in place keeps the lag time to a minimum. The Office of the Inspector General has recognized this and closed out all recommendations in audit report I-98-18, citing substantial progress by the INS.



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| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>2000-4801 | **Organization**<br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>Management of Property | |
| **Date First Initiated** | **Original Target for Completion** | **Current Target for Completion** | **Actual Date of Completion** | **Issue Type (Organization Rating)** | |
| 10/00 | TBD | | 9/7/01 **(CLOSED)** | Material Weakness | |
| **Source Title**<br>OIG Audit Report 01-09 | | | **Date of Source Report**<br>03/21/01 | **Issue Type (DOJ Rating)**<br>Material Weakness | |

**Issue Description**

The Immigration and Naturalization Service (INS) needs to improve accountability of property highly vulnerable to waste, loss, unauthorized use, or misappropriation. Additionally, INS has not routinely reported the status of weapons and, as a result, has numerous lost or missing weapons.

**What We Will Do About It**

***This issue is CLOSED.***

INS has improved its accountability of firearms by conducting Annual Servicewide Firearms Inventories in 1998, 1999, 2000, and 2001. Except for 1998, the Service has accounted for 100 percent of its firearms. In addition to the inventories, the National Firearms Unit has conducted 31 Firearms Accountability Reviews that include a 100 percent physical inventory of all firearms and their supporting documentation. INS has implemented new policies and procedures pertaining to its Firearms Control Officers (FCO). For example, FCOs must be of the appropriate senior management level, attend training within 30 days of their designation, have firearms accountability included as a critical element in their performance work plan, and be included as part of the clearance procedure. Policy changes have also been enacted to direct that lost, stolen, or missing firearms are reported as a Significant Incident within 24 hours. These Significant Incident Reports are forwarded to Internal Audit for investigation, and the serial number of each firearm is entered into the National Crime Information Center (NCIC). The National Firearms Unit has been proactive in recovering firearms. To date, of the 539 firearms reported as lost, stolen, or missing (over a span of 13 years) in the Office of the Inspector General (OIG) report, the National Firearms Unit has identified 234 as typographical errors, reported 207 as lost or stolen and awaiting an INS Firearm Board of Survey review, and recovered 59. The remaining 39 cases are still under investigation in close coordination with the Office of Internal Audit (OIA) and through the Board of Survey. In addition, the National Firearms Unit has assisted in rewriting the Firearms Module of the OIA's INSpect Guide, and, where possible, has coordinated its Firearms Accountability Reviews with the INS/OIA INSpect on-site audits. Additionally, in response to the OIG audit, the National Firearms Unit submitted a complete rewrite of the Standard Operating Procedures with an emphasis on management controls compliant with INS Administrative Manual Policies and Procedures, INS Firearms and Force Board policy mandates, DOJ requirements, and statutory requirements. INS also is being proactive in identifying and instituting new policies to prevent further loss of firearms in such ways as developing Servicewide standards for firearms storage rather than permitting local stand-alone procedures.

| **Milestones** | **Original Target Date** | **Current Target Date** | **Actual Date of Completion** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 1. Conduct Annual Servicewide Firearms Inventory. | Annually | Annually | 08/03/01 |
| 2. Conduct Firearms Accountability Reviews. (31 of 69 locations completed.) | 6/year | 6/year | 08/10/01 |
| 3. Place emphasis on FCOs. | 11/15/00 | | 05/03/01 |
| 4. Coordinate with OIA on all lost or missing firearms. | 11/8/00 | on-going | 09/07/01 |

**How We Will Know It Is Fixed**

A process is in place to review all future reports of lost, stolen, or missing firearms. The remaining 39 firearms cases from the 1998 inventory are currently going through this process for final disposition in FY 2002. Additionally, through the policies and procedures put in place in FY 2001, lost, stolen, or missing firearms are reported within 24 hours of loss, and 100 percent of cases are investigated, documented, and resolved within 30 days. If the case is tasked back to the field, it is due to the OIA within 60 days. If negligence or other misconduct is corroborated, the appropriate management official for a decision regarding corrective action is contacted. If that occurs, OIA expects that action to be taken within 120 days. Inventories have been reconciled 100 percent for 1999, 2000, and 2001. Policies are in place that will require annual inventories and reconciliation. New management controls were put into place and accepted by the Office of Special Counsel addressing the OIG report findings along with the numerous other management and accountability measures to ensure no future loss of firearms occurs. These actions comply with the recommendations put forward by the OIG in the "INS' Management of Property" audit report.

| U. S. DEPARTMENT OF JUSTICE<br>Corrective Action Report<br>Issue and Milestone Schedule | Issue ID | Organization<br>Department of Justice |
|---|---|---|
| | Issue Title<br>DOJ Financial Systems Compliance | |

| Date First Initiated | Original Target for Completion | Current Target for Completion | Actual Date of Completion | Issue Type (Organization Rating) |
|---|---|---|---|---|
| 02/28/01 | On-going | | On-going | Material Nonconformance |

| Source Title | Date of Source Report | Issue Type (DOJ Rating) |
|---|---|---|
| Management Review and Annual Financial Statement Audits | 11/30/01 | Material Nonconformance |

**Issue Description**

The Department of Justice (Department) audit report on the FY 2000 consolidated financial statements identified the Immigration and Naturalization Service (INS), Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), United States Marshals Service (USMS) , and Federal Prison Industries (FPI) as not meeting federal accounting standards or systems requirements, and having material weaknesses in system controls/security. Many of these conditions are likely to be repeated in the FY 2001 audits. Additional and related issues on INS, FPI, and DEA are reported separately under their financial management nonconformances. The need to address weaknesses cited in the financial statement audits, nonconformances with Office of Management and Budget (OMB) Circular No. A-127, technological changes, and the need to better support critical financial operations and agency programs contribute to the necessity to modernize the Department's financial systems and improve internal controls. Almost every Department component needs to either implement a new system or is in the final phases of implementing a new system.

The FBI operates a legacy system which significantly limits the capabilities necessary to support the effective and efficient processing of financial management information throughout the Bureau. The USMS implemented a new financial management system in 1998 at its headquarters office. However, due to implementation difficulties, the USMS did not migrate its district offices to the system. INS acquired a new system in 1997 and halted full implementation plans due to concerns as to whether the system would best serve INS' interest.

**What We Will Do About It**

The Department identified a unified core financial system as one of the ten goals for revamping the Department's management. Three systems have been identified for replacement in the first phases of this project: FBI, INS, and USMS. Other systems will be replaced as they reach the end of their normal life cycles, or as immediate needs require. The unified core system will be a commercial off-the-shelf Financial Management System product(s) certified by the Joint Financial Management Improvement Program as meeting core federal financial management system requirements. The comprehensive project plan and milestones will be developed during the planning phase, to be completed May 2002.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 1. Planning phase, including milestones. | 05/30/02 | | |

**How We Will Know It Is Fixed**

Modern financial systems will be implemented which comply with federal financial system requirements and system dependent audit recommendations will be closed.

| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID** | **Organization**<br><br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br><br>INS Deferred Revenue | |
| **Date First Initiated**<br><br>10/23/97 | **Original Target for Completion**<br><br>10/01/98 | **Current Target for Completion**<br><br>TBD | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br><br>Significant Concern | |
| **Source Title**<br><br>Annual Financial Statement Audit | | | **Date of Source Report**<br><br>10/23/97 | **Issue Type (DOJ Rating)**<br><br>Material Nonconformance | |

**Issue Description**

Auditors report that systems and management controls used by the Immigration and Naturalization Service (INS) to process applications for immigration and naturalization benefits do not ensure applications are adequately controlled or provide reliable data on the status of applications. Without adequate control on the status of applications received and completed, INS is not able to accurately determine deferred and earned revenue without relying on an extensive Servicewide manual application count.

**What We Will Do About It**

INS will implement a system to track the status of applications and provide accurate information on deferred and earned revenue.

| **Milestones** | **Original Target Date** | **Current Target Date** | **Actual Date of Completion** |
|---|---|---|---|
| 1. Develop a plan, with milestones, to implement a system which will report accurate deferred and earned revenue. | 04/30/02 | | |

**How We Will Know It Is Fixed**

A reliable system for tracking deferred revenue will be developed, and the audit recommendations will be closed.



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| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>2000-6296 | **Organization**<br>Federal Prisons Industries |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>FPI Adherence to Accounting Standards and Financial Management System Requirements *(previously FPI Financial Management)* | |
| **Date First Initiated**<br>12/05/00 | **Original Target for Completion**<br>03/01/01 | **Current Target for Completion**<br>03/15/02 | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br>Material Nonconformance | |
| **Source Title**<br>FY 2000 Integrity Act Review | | | **Date of Source Report**<br>12/05/00 | **Issue Type (DOJ Rating)**<br>Material Nonconformance | |

**Issue Description**

The Federal Prison Industries (FPI) implemented Millennium in May 2000. The new system does not meet all the financial management requirements of Office of Management and Budget (OMB) Circular No. A-127. System generated reports require thorough review, analysis, and frequent corrections. Additionally, the FPI does not meet all system security requirements of OMB Circular No. A-130. Weaknesses are reported in controls over inventories and accounts receivable and in the financial statement preparation process.

**What We Will Do About It**

The FPI will work with its contractors to modify its system to comply with financial management system and security requirements. During FY 2001, the FPI obtained system security certification and accreditation. System change requests have been developed and are being evaluated.

| **Milestones** | **Original Target Date** | **Current Target Date** | **Actual Date of Completion** |
|---|---|---|---|
| 1. Obtain system security certification. | 12/31/00 | 12/31/00 | 12/31/00 |
| 2. Obtain system security accreditation. | 03/01/01 | 03/01/01 | 06/30/01 |
| 3. Modify system to comply with federal financial management requirements. | 03/01/01 | 02/28/02 | |
| 4. Correct weaknesses in control over inventories. | 03/15/02 | | |
| 5. Correct weaknesses in control over accounts receivable. | 03/15/02 | | |
| 6. Refine financial statement reporting process. | 03/15/02 | | |

**How We Will Know It Is Fixed**

Minimal errors will be found in accounting processing, recording, and reporting. FPI has received system security certification and accreditation.



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| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>2000-6196 | **Organization**<br>Drug Enforcement Administration |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>DEA Adherence to Accounting Standards and Financial Management System Requirements *(previously Financial Management)* | |
| **Date First Initiated**<br>11/17/00 | **Original Target for Completion**<br>07/31/01 | **Current Target for Completion**<br>11/30/03 | **Actual Date of Completion** | **Issue Type (Organization Rating)**<br>Material Nonconformance | |
| **Source Title**<br>DEA Integrity Act Report | | | **Date of Source Report**<br>11/17/00 | **Issue Type (DOJ Rating)**<br>Material Nonconformance | |

**Issue Description**

The Drug Enforcement Administration (DEA) has not maintained a system that accurately and completely accounts for property and equipment. DEA also should clear fund balances with the United States Treasury (Treasury), properly perform quarterly certifications of open obligations, improve its financial reporting process, charge full cost for Controlled Substance Act Registration Fees, and improve automated security.

**What We Will Do About It**

Complete conversion of property to the Fixed Asset Subsystem, complete implementation of an automated interface for purchase card data to clear fund balances with the Treasury, and properly perform certifications of new obligations. To improve the financial reporting process, develop additional written procedures on the process. DEA will adjust rates for Controlled Substance Act Registration Fees to charge for full cost and recertify financial system users.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|
| 1. Clear fund balances with the Treasury. | 03/31/01 | 09/30/02 | |
| 2. Automated Security - Recertify financial system users. | 03/31/01 | on-going | |
| 3. Improve financial reporting process. | 04/30/01 | 09/30/02 | |
| 4. Property Accountability- revise policy and procedures and properly classify property in the general ledger and financial statements. | 07/31/01 | | 02/28/01 |
| 5. Publish Final Rule in the Federal Register providing notice of revised Controlled Substance Act Registration Fees charging full cost. | 07/31/01 | 05/30/02 | |
| 6. Properly perform quarterly certifications of open obligations. | 11/30/00 | 09/30/02 | |



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| | | | |
|---|---|---|---|
| 7. Complete conversion of property to Fixed Asset Subsystem. | 09/30/02 | 11/30/03 | |

**How We Will Know It Is Fixed**

Minimal errors will be found in the accounting processing, recording, and reporting, and the audit recommendations will be closed.



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| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>1997-4896 | **Organization**<br>Immigration and Naturalization Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>INS Financial Management | |
| **Date First Initiated**<br>10/23/97 | **Original Target for Completion**<br>10/01/98 | **Current Target for Completion**<br>N/A | **Actual Date of Completion**<br>**(CLOSED)** | **Issue Type (Organization Rating)**<br>Material Nonconformance | |
| **Source Title**<br>Annual Financial Statement Audit | | | **Date of Source Report**<br>10/23/97 | **Issue Type (DOJ Rating)**<br>Material Nonconformance | |

**Issue Description**

The Immigration and Naturalization Service (INS) accounting system is inadequate and lacks reliable information in its financial reports. The accounting system cannot fully comply with administrative policies and procedures in regard to fund controls and has significant weaknesses over payments and obligations. The accounting system is outmoded and is comprised of diverse mainframe, manual, and personal computer-based systems. The various systems are not integrated; have significant internal control deficiencies; and do not provide the INS with useful, timely information.

The INS could not accurately or effectively reconcile differences between accounting records and United States Treasury's (Treasury) fund balance accounts.

**What We Will Do About It**

***This issue is CLOSED.***

Milestone 1: elevated to separate material nonconformance.
Milestone 2: closed.
Milestone 3: subsumed under "DOJ Financial Systems Compliance"

The INS is implementing a new financial management system, using a phased-in approach and enforcing proper adherence of accrual based accounting standards. Policies and procedures are being developed in coordination with full implementation of the system. INS selected the Federal Financial Management System (FFMS) developed by RELTEK Systems & Design, Inc. However, further review is necessary to determine if the FFMS will meet the INS's long-term automated financial management system needs. A consulting firm has been engaged to assess all current Joint Financial Management Improvement Program-compliant products, including FFMS, to determine if proceeding with FFMS or acquiring an alternative product would be of best interest to INS.
The INS implemented a process for reviewing and correcting unreconciled differences with Treasury's fund balances on an on-going basis.

| **Milestones** | **Original Target Date** | **Current Target Date** | **Actual Date of Completion** |
|---|---|---|---|



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| | | | |
|---|---|---|---|
| 1. INS will develop accurate data to support deferred revenue reported on financial statements. | 10/31/00 | | |
| 2. Correct unreconciled differences. | 01/31/01 | | 03/01/01 |
| 3. Implement new financial management system. | 10/01/03 | | |
| **How We Will Know It Is Fixed**<br><br>Accounting data will be reliable and the audit recommendations will be closed. | | | |



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| U. S. DEPARTMENT OF JUSTICE<br>**Corrective Action Report**<br>Issue and Milestone Schedule | | | | **Issue ID**<br>2000-6496 | **Organization**<br>U.S. Marshals Service |
|---|---|---|---|---|---|
| | | | | **Issue Title**<br>USMS Adherence to Accounting Standards *(previously Financial Management)* | |
| **Date First Initiated**<br>12/01/00 | **Original Target for Completion**<br>09/30/01 | **Current Target for Completion**<br>09/30/01 | **Actual Date of Completion**<br>06/30/01 **(CLOSED)** | **Issue Type (Organization Rating)**<br>Material Nonconformance | |
| **Source Title**<br>Financial Statement Audit | | | **Date of Source Report**<br>01/03/00 | **Issue Type (DOJ Rating)**<br>Material Nonconformance | |

**Issue Description**

The United States Marshals Service (USMS) does not have adequate controls over certain elements of its financial accounting reconciliation process. Auditors concluded that the inadequate controls presented a deficiency in the financial account control system that could adversely impact USMS ability to record, process, and report its financial transactions timely and accurately.

Improvements are needed in the USMS financial statement preparation process. Due to the extensive effort necessary to prepare, review, and correct account reconciliations, the USMS was not timely in submitting requested financial statement information. Throughout the financial statement process, auditors found technical errors, clerical errors, and inconsistencies in the form and content of the financial statements and associated footnotes. Additionally, there was no documentation of management review of the financial statements.

**What We Will Do About It**

***This issue is CLOSED.***

The USMS established the Financial Policy Team within the Office of Finance. It is tasked with updating existing policies and procedures manuals. The Financial Policy Team will fully document all reconciliation processes.

The USMS has received authority to hire additional staff to assist with operations. With more timely reconciliations and more staff available for compilation of financial statements, the USMS expects to be able to submit timely and materially accurate financial statements for FY 2001 and future fiscal years. In addition, management will perform thorough management reviews of the financial statements for accuracy and completeness.

| Milestones | Original Target Date | Current Target Date | Actual Date of Completion |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 1. Document all reconciliation processes. (The Department of Justice audit statements preparation guide closed this milestone.) | 09/30/01 | | 06/01 |
| 2. Hire additional personnel and management review of financial statements. | 09/30/01 | | 03/01 |

**How We Will Know It Is Fixed**

Minimai errors will be found in accounting processing, recording, and reporting, and the audit recommendations will be closed.

Office of the Inspector General

December 31, 2001

MEMORANDUM FOR THE ATTORNEY GENERAL
THE DEPUTY ATTORNEY GENERAL

FROM: GLENN A. FINE
INSPECTOR GENERAL

SUBJECT: Top Management Challenges in the Department of Justice – 2001 List

Attached to this memorandum is the Office of the Inspector General's (OIG) December 2001 list of the Top Management Challenges facing the Department of Justice (Department). We have created this list annually, beginning in 1997 in response to a congressional request. It is our hope that the list will aid Department managers in developing strategies to address what we consider to be the top ten management challenges facing the Department.

As in past years, the challenges are not listed in order of seriousness. However, it is clear that the top challenge facing the Department is its response to terrorism, a challenge that we first placed on the list last year. In addition to updating management challenges that appeared on our list in previous years, this year we have added three new challenges ("Sharing of Intelligence and Law Enforcement Information," "Performance Based Management," and "Department of Justice Organizational Structure"). We combined two challenges from our 2000 submission ("INS Border Strategy" and "Removal of Illegal Aliens" have become "The INS's Enforcement of Immigration Laws") and removed two challenges ("Prison Overcrowding" and "Human Capital"). While the challenges we have removed remain important issues for the Department, we try to keep our list of challenges to ten.

We look forward to working with the Department to address these important management challenges, both by drawing upon findings and recommendations from past OIG reviews and by continuing to conduct reviews in these areas.

Please contact me at 514-3435 if you have any questions or if we can assist in any way.

Attachment

cc: Janis A. Sposato
Acting Assistant Attorney General for Management

David T. Ayres
Chief of Staff to the Attorney General

Susan Richmond
Assistant to the Attorney General

David H. Laufmann
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David A. Margolis
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Daniel J. Bryant
Assistant Attorney General for Legislative Affairs

# Management Challenges in the Department Of Justice

## December 2001

1. Counterterrorism: As the events of September 11, 2001, have illustrated, the United States faces grave threats of terrorist attacks. The use of chemical, radiological, and nuclear weapons remains a danger, while the use of biological agents has become a reality. Terrorists could attempt to attack water supplies, communications, national infrastructure, or government institutions. Advances in computer technology and the Internet have increased the risks of cyber-terrorism. In recognition of these threats, last year we included for the first time the "Departmental Response to Terrorism" as a top management challenge facing the Department of Justice (Department).

   This year, as the Department has recognized and as the Attorney General has clearly articulated in response to the attacks of September 11, terrorism is the most important challenge facing the Department. On November 8, 2001, when releasing the Department's Strategic Plan for fiscal years (FY) 2001-2006, the Attorney General stated that the fight against terrorism was now the first and overriding priority of the Department.

   Accordingly, the first objective in the Department's Strategic Plan for 2001-2006 is to "Protect America Against the Threat of Terrorism." The three strategic objectives under this goal emphasize prevention and disruption of terrorist operations before an incident occurs, investigation of terrorist incidents to bring perpetrators to justice, and prosecution of individuals who have committed or intend to commit terrorist acts against the United States. The Strategic Plan notes the significant management challenge facing the Department as it seeks to effectively manage its counterterrorism program and avoid potential gaps in coverage or duplicate services provided by state and local governments. In addition, the infusion of billions of dollars into the Department's efforts to combat terrorism presents its own set of challenges.

   In FY 2002, the OIG will devote significant resources to reviewing Department programs and operations that affect its ability to respond to the threat of terrorism. For example, we will examine the Federal Bureau of Investigation's (FBI) use of its counterterrorism funds. In separate audits, we will examine the mix of cases investigated by the FBI, as well as the FBI's management of its information technology (IT) projects.

The OIG is currently conducting an audit that relates to the government's ability to respond to terrorism. Our audit reviews domestic preparedness grants that the Office of Justice Programs (OJP) awards to state and local entities for training and equipment to respond to acts of terrorism. We also examine the amount of funding awarded and whether grants are being used for their intended purpose.

The OIG has also undertaken additional program reviews and audits in the Immigration and Naturalization Service (INS), whose work is critical to deterring terrorists from entering or remaining in the United States. For example, we have conducted follow-up reviews on INS programs such as the Visa Waiver Program and the INS's effort to control the Northern Border. We also have begun reviews of how the INS determines whether to send non-immigrants attempting to enter the United States to secondary inspection at air ports of entry, how the INS is handling its responsibilities to implement an automated system to monitor foreign students in the United States, and how the INS uses Advance Passenger Information System data to help deter the entry of terrorists or other criminals into the United States.

2. Sharing of Intelligence and Law Enforcement Information: One of the lessons arising from the September 11 terrorist attacks is the critical importance of sharing intelligence and other law enforcement information among federal, state, and local agencies. Since September 11, the Attorney General and the Director of the FBI repeatedly have spoken about the importance of this issue, both to the investigation of the terrorist attacks and in ongoing efforts to prevent future attacks.

   The Department must ensure that law enforcement agencies on the federal, state, and local levels have access to information that could be important in helping detect and deter terrorist attacks. The Department must also overcome any inclination by law enforcement and intelligence agencies to keep information solely within their agencies rather than sharing it with other law enforcement agencies.

   By memorandum dated September 21, 2001, the Attorney General directed that information exposing a credible threat to the national security interests of the United States should be shared with appropriate federal, state, and local officials so that any threatened act may be disrupted or prevented. In late October, the President signed the *USA Patriot Act of 2001*, which permits greater sharing of intelligence and law enforcement information, such as information derived from Title III intercepts, information provided to grand juries, and information contained in criminal history databases.

However, the Department faces significant challenges in both ensuring that these new authorities are used appropriately and in ensuring that other federal, state, and local law enforcement agencies have access to information important to their work. An example of these issues is the failure of the INS and the FBI to link the information in their automated fingerprint identification systems and the consequences of that failure. A 1998 OIG inspection in the INS entitled "Review of the INS's Automated Biometric Identification System" (OIG report #I-1998-10) and a March 2000 OIG Special Report examined how the INS handled its encounters with a Mexican national accused of a series of murders in the United States ("The Rafael Resendez-Ramirez Case: A Review of the INS's Actions and the Operation of its IDENT Automated Fingerprint Identification System").

Nothing in the INS's automated fingerprint identification system (IDENT) alerted INS employees that the FBI and state and local law enforcement were looking for Resendez in connection with a brutal murder. The INS's IDENT system was not linked to FBI data, and when Border Patrol agents apprehended Resendez as he attempted to illegally cross the border into New Mexico, the Border Patrol followed its standard policy and voluntarily returned Resendez to Mexico. He returned to the United States within days of his release and murdered several more people before surrendering. This case highlighted the failure of the INS and the FBI to develop a way to share important criminal information about individuals. We noted the importance of expeditiously integrating IDENT with the FBI's Integrated Automated Fingerprint Identification System (IAFIS) to enable the two systems to share fingerprint information.

A fully integrated IDENT/IAFIS system would provide INS employees with immediate information on whether a person they apprehend or detain is wanted by the FBI or has a record in the FBI's Criminal Master File. Similarly, linking IDENT and IAFIS could provide state and local law enforcement agencies with valuable immigration information as part of a response from a single FBI criminal history search request. The OIG recently issued a follow-up report (OIG Report #I-2002-003) on the status of INS and FBI efforts to integrate the two systems, concluding that integration has proceeded slowly and is still years away.

The OIG also has begun an audit that will address another aspect of information sharing. This audit assesses the procedures used by immigration inspectors at air ports of entry to prevent inadmissible persons from entering the United States. The OIG will analyze whether primary and secondary inspectors have access to needed intelligence information to prevent the entry of inadmissible persons into the United States.

3. <u>Information Systems Planning and Implementation</u>: OIG audits, inspections, evaluations, and special reports continue to identify mission-critical computer systems in the Department that were poorly planned, experienced long delays in implementation, or did not provide timely, useful, and reliable data. Given the critical role these systems play in the Department's operational and administration programs – not to mention the vast sums of money spent on developing and deploying these systems – information systems planning and implementation remains a top management challenge in the Department.

For example, OIG audits have found that the INS has made huge investments in automation technology and information systems that have yielded questionable results. Our March 1998 audit titled "INS Management of Automation Programs" (OIG report #98-09) disclosed significant weaknesses in the management of the INS's automation initiatives. Among other things, we found that several major INS systems were behind schedule and that the INS lacked definitive performance measures for tracking critical project milestones. In July 1999, we issued a follow-up review of the INS's management of its automation programs (OIG report #99-19), which found that the INS continued to spend hundreds of millions of dollars on automation initiatives without being able to explain how the money was spent or what was accomplished.

The General Accounting Office (GAO) has raised similar concerns in its reviews of INS IT practices. One GAO report concluded that the INS did not have an institutional system blueprint that lays out the organization's current and target IT operating environment (GAO report #AIMD-00-212). In another review, GAO determined that the INS had not implemented practices associated with effective IT investment and enterprise architecture management. Further, the INS's investments were not aligned with an agency-wide blueprint that defines the agency's future plans, and the INS did not know whether its ongoing investments were meeting their cost, schedule, and performance commitments (GAO report #02-147T). In another report, the GAO found that the INS was managing its IT investments as individual projects rather than as a complete portfolio and, consequently, will not be able to determine which investments contribute most to the agency's mission. The GAO also found that the Department was not guiding and overseeing the INS's investment management approach (GAO report #01-146).

The OIG has also reviewed individual INS technology systems and found problems. In March 2000, the OIG issued a follow-up review of the INS's Passenger Accelerated Service System (INSPASS) (OIG report #00-07), an automated system designed to facilitate the inspection of low-risk travelers at airports. The report noted that as of 1998 the INS had spent

more than $18 million to develop INSPASS and had, since the OIG's previous INSPASS audit in March 1995 (OIG report #95-08), increased INSPASS reliability, usage, and performance. However, we found that the benefits provided by INSPASS in FY 1998 were insignificant because only 1 percent of the travelers in the six participating airports used the automated system. While INSPASS is a small program, we concluded that the problems found there illustrated some of the INS's overall problems with managing its automation initiatives.

Both the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 and the INS Data Management and Improvement Act of 2000 required the INS to develop an automated entry/exit system for use at land, sea, and air ports of entry. The INS's automated I-94 system was developed to meet the requirements of both laws. The efficient use of a fully automated I-94 system could aid the INS in identifying and tracking individuals when they enter and exit the country. Yet, a 2001 OIG audit (OIG report #01-18) assessed the design and implementation of the automated I-94 System and determined that the INS has not properly managed the project. As a result, despite having spent $31.2 million on the system from FY 1996 to FY 2000, the INS: (1) does not have clear evidence that the system meets its intended goals, (2) has gained the cooperation of only two airlines and is operating the system at only four airports, and (3) is in the process of modifying the system. Recent INS projections estimate that an additional $57 million for this system will be needed through FY 2005.

The OIG is currently examining the process by which the INS tracks and monitors foreign students and exchange visitors once they enter this country. As part of the review, OIG inspectors are examining the INS's implementation of the Student and Exchange Visitor Information System, an automated information system designed to track the immigration status of such students.

The OIG's concerns about Department information systems are not limited to the INS. An OIG Special Report issued in July 1999 examined how the Department handled FBI intelligence information related to its campaign finance investigation ("The Handling of FBI Intelligence Information Related to the Justice Department's Campaign Finance Investigation"). This report raised questions about how the FBI uses its automated databases. The Department's Campaign Finance Task Force used the FBI's Automated Case Support (ACS) system and other FBI databases to obtain information on individuals and organizations they had under investigation. However, we found that FBI practices and policies have handicapped the usefulness of the FBI's databases. For example, problems in the way information was entered or searched in the databases, together with the way that search results were handled within

the FBI, resulted in incomplete data being provided to the Task Force. Further, we found that many of the FBI personnel we interviewed were not well versed in the use of the FBI's database systems.

In addition, the OIG's ongoing review of the belated production of documents in the Timothy McVeigh case will assess similar issues related to the FBI's automated information systems.

Due to the importance of information technology in the FBI and the large amounts of money involved, the OIG has begun an audit of the FBI's management of its information technology projects. This audit will assess: (1) how the FBI selects its IT projects, (2) how the FBI ensures that projects under development deliver benefits, and (3) how the FBI ensures that completed projects deliver the expected results.

We have raised issues with other Department information technology systems. For example, the OIG's FY 2000 audit of the U.S. Marshal Service's (USMS) financial statement (OIG report #01-30), found that implementation of the USMS Standardized Tracking, Accounting, and Reporting System (STARS) continues to be problematic. During FY 2000, USMS field offices were continuing to use the agency's Financial Management System, which was originally scheduled to be replaced by STARS, because of delays in implementing the new system.

In FY 2001, the OIG issued an audit of the implementation of the Collection Litigation Automated Support System (CLASS) by the Department's Office of Debt Collection Management (DCM). This audit (OIG report #01-15) determined that the DCM was at least 18 months behind schedule in implementing CLASS and had incurred more than $4.6 million in additional costs. Moreover, DCM management could not project a completion date and estimated additional completion costs of $400,000 per month. Delays resulted from management indecision, changes in telecommunication requirements, and disagreements between the DCM and the Executive Office for United States Attorneys about CLASS's capabilities.

4. <u>Computer Systems Security</u>: In response to the threat to Department computers, databases, and networks, and in recognition of the importance of information technology, the Department has classified computer security as a material weakness since 1991. Recently, the House Government Reform Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations gave the Department an "F" for its computer security efforts in FY 2001, the same grade the Department received in FY 2000.

OIG audits have disclosed serious problems in computer security that could lead to the compromise of sensitive systems and data. The OIG conducts security assessments and penetration testing using state-of-the-art security system software. These reviews have found that select computer controls were inadequate to protect the systems and their sensitive data from unauthorized use, loss, or modification.

The OIG is also conducting regular computer security audits mandated by the Government Information Security Reform Act (GISRA), which requires that Inspectors General audit the security of critical information systems in their agencies. Our audits assess the Department's compliance with GISRA and related information security policies, procedures, standards, and guidelines. In FY 2001, we tested the effectiveness of information security control techniques for nine systems (five sensitive but unclassified (SBU) and four classified systems) at the Executive Office for U.S. Attorneys, Federal Bureau of Prisons (BOP), Drug Enforcement Administration (DEA), Justice Management Division (JMD), and FBI.

With respect to the five SBU systems audited, we found weaknesses in management, operational, and technical controls, including password management, logon management, user and account rights assignment, file system and system configuration, and system auditing management. With respect to the four classified systems, we found that select computer security controls were not implemented to protect the systems from unauthorized use, loss, or modification. We also noted weaknesses in password and logon management, account integrity, system auditing management, physical and personnel controls, contingency planning, and policies and procedures. Penetration testing on three classified systems also resulted in auditors obtaining access to the systems. For example, on one system the auditors obtained root access allowing them to identify user account identifications and passwords and giving them the capability to erase, modify, or upload files.

The weaknesses found on the SBU systems are considered low to moderate risk. Weaknesses found on the classified systems, when considered collectively, are a moderate to high risk. Weaknesses were more voluminous and material for the Department's classified systems because they had not been subject to the frequency of external reviews as had the SBU systems. For FY 2002, the OIG intends to perform 14 GISRA audits and will conduct application reviews of the DEA's MERLIN and BOP's SENTRY automated information systems.

In FY 2001, the OIG also issued a report assessing the Department's critical infrastructure protection planning for its computer-based infrastructure (OIG report #01-01). This report, part of a President's

Council on Integrity and Efficiency government-wide review of the nation's critical infrastructure assurance program, found that while the Department submitted the required critical infrastructure protection plan, it had not yet: (1) adequately identified all its mission-critical assets, (2) assessed the vulnerabilities of each of its ADP systems, (3) developed remedial action plans for identifying vulnerabilities, or (4) developed a multi-year funding plan for reducing vulnerabilities. As a result, the Department's ability to perform certain vital missions could be at risk from terrorist attacks or similar threats.

5. The INS's Enforcement of Immigration Laws: The INS's enforcement of immigration laws, particularly its ability to deter illegal immigration and remove aliens who are here illegally, is a critical and longstanding management challenge.

Within the INS, the Border Patrol faces significant enforcement challenges along the southwest and northern borders to stem the tide of illegal aliens, drugs, and potential terrorists. For example, in last year's list of top management challenges (December 1, 2000), we reported on the OIG's review of "The Border Patrol's Efforts Along the Northern Border" (OIG report #I-2000-004). The report identified significant gaps in the INS's northern border operations, the increasing illegal activity along the northern border, and the limited resources available to address this growing concern. In response to a recommendation contained in the OIG report, the INS reassessed its approach in managing risks at the northern border. Its new approach focuses on enhancing national security and on controlling cross-border crime activity and illegal migration while facilitating legitimate travel and commerce. While Attorney General Reno approved the northern border strategy in the final days of her term, one year later the INS has not developed any implementation plan. Given the Department's emphasis on securing the nation's borders post September 11, the need for implementation of a coordinated northern border strategy is greater than ever.

Alien smuggling remains a serious problem confronting the INS, and the INS needs to have an effective anti-smuggling program. However, the OIG report "Survey of INS's Anti-Smuggling Units" (OIG report #I-2001-03) concluded that the INS's anti-smuggling program operates with limited effectiveness. The review found: (1) the program lacked coordination and direction, (2) the structure of the anti-smuggling program is problematic, and (3) the program has insufficient financial and personnel resources.

A May 2000 GAO report titled "Alien Smuggling Management and Operational Improvements Needed to Address Growing Problems," (GAO report #GGD-00-103) reached a similar conclusion. This GAO report

found that the INS's alien smuggling efforts have been fragmented and uncoordinated, that the INS does not know if it is using its anti-smuggling resources most effectively, and that it lacks an agency-wide automated tracking system that would help prevent duplicative investigations and promote intelligence sharing.

An OIG audit found serious problems in how the INS handles its deferred inspection process. When additional immigration examinations are required of individuals seeking entry into the United States, they are sent to secondary inspection. If an immediate decision regarding admissibility cannot be made there, INS inspectors have the discretion to defer the inspection until a later date so that documentary evidence – such as an existing INS file – can be reviewed. In these cases, the individual is admitted (or "paroled") into the country and must report to an INS district office at a later date to complete the inspection. A 2001 OIG audit of the INS Deferred Inspection Program (OIG report #01-29) revealed that in our sample nearly 11 percent (79 of 725) of the individuals paroled into the country under the deferred inspections process failed to appear at an INS office to complete their inspection.

This audit also found that the INS did not have adequate procedures in place to ensure that individuals who fail to appear are either brought in to complete their inspections or are appropriately penalized for failing to appear. In many cases, we found that the INS did not initiate follow-up activity of any kind. Our analysis revealed that among those who failed to appear, INS inspectors identified over 50 percent as either having criminal records or immigration violations at the time of entry. Subsequent OIG inquiries of criminal history databases revealed that nine individuals in our sample were charged or convicted of crimes considered to be aggravated felonies after their deferral.

Additionally, we found that the INS's controls were inadequate to determine the effectiveness of the deferred inspection process or the number of individuals deferred and the outcome of those inspections. Records maintained at airports and district offices were incomplete. Inspectors at all nine airports we visited destroyed deferral documentation after limited and varied retention periods. The INS's paper-based tracking of deferred inspections failed to provide an adequate agency-wide system of tracking deferrals. As a result, inspectors were unable to detect parole violators and other repeat offenders upon their reentry into the United States.

The INS lacks an effective enforcement policy that specifically targets the overstay population. While the INS estimates that overstays comprise 41 percent of the illegal alien population in the United States, INS data

shows that only a small percentage of the deportable aliens apprehended by INS investigators are overstays.

A 1996 OIG inspection found that the INS's program to deport illegal aliens has been largely ineffective, finding that the INS was successful in deporting only about 11 percent of non-detained aliens after final orders had been issued. Anecdotal information continues to support this low percentage. In a more recent inspection (OIG report #I-99-09), we noted that ineligible aliens, including convicted felons, were inappropriately granted voluntary departure because the INS and the Executive Office for Immigration Review had not ensured that all eligibility requirements are met. We found that the INS lacks an effective departure verification system and therefore has no way of knowing whether illegal aliens granted voluntary departure have left the country.

The monitoring of alien overstays and removal of criminal aliens has been a Department material weakness since 1997. Among other issues, the INS failed to identify many deportable criminal aliens, including aggravated felons, or initiate Institutional Removal Program (IRP) proceedings before they were released from prison. The Department's Management Controls Report for FY 2000 stated that the INS issued new policy guidance to clarify the roles of agents working in the IRP, developed better inmate tracking systems to identify and deport criminal aliens, and developed new staffing models to allow the INS to concentrate resources where they are most needed. The OIG is currently performing an audit of the IRP to determine if past OIG recommendations were implemented and assess whether program enhancements can streamline the IRP process.

The OIG issued an inspection report in 2001 titled "INS's Escort of Criminal Aliens" (OIG report #I-2001-005). This report found that the INS's practice of escorting criminal aliens on commercial airlines when the aliens are removed from the United States to non-border countries placed the traveling public at potential risk because the INS does not consistently follow its established escort policy. In three of the four districts visited by the OIG, INS managers disregarded established INS policies, resulting in the placement of violent aliens, without escorts, on commercial airlines.

As discussed above, the OIG is conducting several follow-up reviews that identified issues to assess the progress made to correct deficiencies identified by previous OIG inspections of the INS's enforcement efforts. The follow-up reviews concern OIG inspections on "Border Patrol Efforts Along the Northern Border" (OIG report # I-2000-04), "The Potential for Fraud and INS Efforts to Reduce the Risks of the Visa Waiver Pilot Program" (OIG report #I-1999-10), "Transit Without Visa Program

Inspection" (OIG report #I-1992-07), and "INS's Monitoring of Nonimmigrant Overstays" (OIG report #I-1997-08).

6. Financial Statements and Systems: While the Department has made some progress in improving its financial statements and systems, this issue remains a top management challenge. In FY 2000, the Department received an unqualified opinion on its consolidated balance sheet and statement of custodial activity (OIG report #01-07). However, the Department received a qualified opinion on the remaining financial statements due to the INS's inability to substantiate the earned revenues offset portion of Immigration Program Costs because of inadequate records to support the pending applications at the beginning of the fiscal year.

   Audits of the Department's financial statements reported three material weaknesses and one reportable condition at the consolidated level and 15 material weaknesses and 23 reportable conditions at the component level for FY 2000. Thus, much work still needs to be done to eliminate the internal control weaknesses found during the financial statement audits. Congress recognized this when the House Government Reform Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations gave the Department a "D-" for its FY 2000 financial management, the same grade it received for its FY 1999 efforts.

   Most Department components still tend to view the preparation of financial statements as an end-of-the-year exercise they often meet by hiring a significant number of contractors and performing labor-intensive procedures. Because the Department lacks automated systems to readily support financial statement preparation and ongoing accounting operations, many tasks have to be performed manually. One such task, the year-end count of INS applications needed to determine deferred revenue, caused delays in processing applications. Other problems resulted from the lack of integration between the Department's automated accounting systems and subsystems. Because systems are not designed to readily produce or support information needed to produce the financial statements, the Department's finance staffs had to perform additional manual reconciliation of data. The Department's ability to maintain or improve its audit results will require continuation of the substantial efforts expended this past year. Any decrease in this effort could adversely affect the Department's audit results.

   In addition, Department components including the INS and Federal Prison Industries, Inc., continue to encounter significant difficulties in implementing their financial management systems. With new financial systems needed at several components, it is imperative that the



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Department overcomes these implementation difficulties in order to continue on a path toward improving its financial management and eventually removing this issue as a management challenge.

7. Detention Space and Infrastructure – the USMS and the INS: Obtaining and efficiently managing detention space for the USMS and the INS – a material weakness in the Department since 1989 – remains a top management challenge. Both agencies continue to experience rapid growth in their use of detention space, from an average of 43,408 beds in 1998 to a projected 64,962 beds in 2002. The INS, in particular, may need additional detention space in light of the Department's response to the September 11 attacks. Expanding the use of detention space also places increasing demands on INS and USMS transportation, communications, and staff.

   To obtain additional detention space, the Department has relied on outside contractors (including state and local governments and for-profit entities) to house federal detainees. OIG audits of contractors for detention space have resulted in significant dollar findings. For example, in FY 2001 we issued an audit of an intergovernmental agreement (IGA) for detention space with York County, Pennsylvania (OIG report #GR-70-01-005). The audit revealed that in FY 2000, York overcharged the Department a total of $6.1 million due to York's understatement of its average daily population, a key figure used to determine reimbursement from the INS. If York uses the jail day rate determined by our audit and the INS, the USMS, and the BOP continue to use the same amount of jail days, the Department could realize savings of approximately $6.4 million annually.

   An OIG audit of the IGA with the Government of Guam (OIG Report #GR-90-01-006) found that for the period of October 1, 1998, through September 30, 2000, the Department overpaid Guam more than $3.6 million based on the actual allowable costs and the average daily population. In addition, the OIG found that the Department could realize annual savings of $3.3 million by using the audited rate for future payments.

   Our discussions with the Department, the INS, and the USMS disclosed considerable disagreement regarding the nature of the agreements used to obtain jail space from state and local governments. In our view, the Department has not yet settled on a procurement process to obtain detention space in a manner that meets prudent business practices and existing procurement regulations.

   Another OIG audit (OIG report #01-16) determined that as many as 18,000 federal detainees are held in private facilities on any given day,

and the use of these private facilities is expected to increase. We concluded that the Department's reliance on only a few private providers raises concerns about the impact should one of those providers cease operations. The OIG report noted that the BOP, the USMS, and the INS had not developed a coordinated contingency plan to address the loss of bed space if a private provider is unable to continue operations on a large scale. Without coordinated contingency planning, the disruption of contract detention services could lead to a host of legal, health, financial, logistical, safety, and security issues.

OIG reviews have highlighted the need for additional bed space for juveniles detained by the INS. During an inspection of the Border Patrol's efforts to control illegal entries along the United States-Canada border (OIG report #I-2000-004), the OIG was told by the Border Patrol that most aliens apprehended by Border Patrol Agents (BPAs) are released pending a court date because of shortages in detention space. Aliens interviewed by BPAs along the northern border reported that smugglers had assured them that even if they were apprehended while being smuggled into the United States they would later be released.

In an OIG review titled "Unaccompanied Juveniles in INS Custody" (OIG report #I-2001-009), the OIG examined the treatment of unaccompanied and undocumented juveniles who are held in INS custody for more than 72 hours and placed into formal immigration proceedings. We found deficiencies at INS districts, Border Patrol sectors, and INS headquarters that could have potentially serious consequences for the well being of the juveniles. These deficiencies included lack of segregation for non-delinquent and delinquent juveniles and lack of required weekly visits by INS juvenile coordinators with all juveniles in INS custody.

In FY 2002, the OIG plans to audit the Department's detention activities. Among the issues of concern is the extent to which Department components share information about detention needs in specific geographic areas and coordinate with each other in acquiring detention space at consistent and economical rates. In addition, we will also continue to audit USMS and INS agreements for detention space with government and for-profit providers, as OIG resources permit.

Finally, the Department recently established a Detention Trustee with broad responsibilities related to many of the problems discussed above. We are concerned that the Detention Trustee may not have the authority or resources to resolve the many long-standing detention issues that he is expected to address.

8. <u>Grant Management</u>: In recent years, the Department has become a grant-making agency that has disbursed billions of dollars to grantees.

Among other initiatives, the grants support community policing, encourage drug treatment programs, reimburse states for incarcerating illegal aliens, and fund counterterrorism initiatives. For a Department that historically had limited experience in awarding, monitoring, and reporting on grant progress, the infusion of such significant amounts of grant money over the past several years has resulted in a continuing management challenge for the Department.

Overall, OIG reviews have found that many grantees did not submit required program monitoring and financial reports and that program officials' on-site monitoring reviews did not consistently address all grant conditions. For example, an OIG inspection found that some grantees who received formula grant funds from the OJP for prison substance abuse services needed to improve their reporting of program implementation and their accounting for matching funds and federal grant funds sub-awarded to state and local agencies (OIG report #I-2000-022). We found that OJP's administration of this grant program could be strengthened through better monitoring and by obtaining more timely and definitive information from grantees.

OJP provides State Criminal Alien Assistance Program (SCAAP) grants to state and local governments to help defray the cost of incarcerating undocumented criminal aliens convicted of felonies. Our audit of this program (OIG report #00-13) found that the five states reviewed by the audit received overpayments for unallowable inmate costs and ineligible inmates. The aggregate cost of these overpayments totaled approximately $19.3 million. We also found that OJP's methodology for compensating applicants was over-inclusive and should be improved, and we estimated that OJP overpaid applicants in our sample for at least 1,760 inmates whose immigration status was "unknown."

Several years ago, the OIG audited the management and administration of the Office of Community Oriented Policing Services (COPS) Grants Program (OIG Report #99-14) to evaluate COPS' ability to meet its goal of adding 100,000 police officers, COPS' and OJP's monitoring of grantees, and the quality of guidance provided to grantees to assist them in implementing essential grant requirements. At the time of the audit, we reported numerous deficiencies in the grant monitoring of COPS grants, some of which have continued through FY 2001. Based on our concerns, the OIG will continue to audit individual COPS grantees to ensure the monies provided are used for the purposes specified in the grant award (42 individual COPS grant audits were issued in FY 2001).

In FY 2002, the OIG is planning to perform an audit of administrative grant activities in OJP, and between OJP and COPS, to identify functions that can be streamlined.

9. Performance Based Management: On November 8, 2001, the Attorney General challenged the Department to hold itself accountable through performance measures, stating that "Performance should be measured by outcomes and results, not inputs." Similarly, the President's "Management Agenda for Fiscal Year 2002" prepared by the Office of Management and Budget (OMB) demands integration of budget and performance, stating "[o]ver the past few years the Department has seen a significant expansion in its mission and a rapid growth in resources. Meaningful measures supported by performance data, particularly measures of program outcome, are essential to evaluate this investment and determine future resource requirements."

A pressing management challenge for the Department is ensuring, through performance based management, that its programs are achieving their intended purposes. The Department received a congressional grade of "F" for its 1999 performance report that assesses agency progress towards meeting the mandates of the Government Performance and Results Act (GPRA).

The GAO reviewed the Department's FY 2000 performance report and the FY 2002 performance plan to assess Department progress in achieving selected key outcomes that were identified as important Department mission areas. The GAO reported that the Department's overall progress towards achieving each of the four key outcome measures was difficult to ascertain because the performance report generally lacked measurable targets and lacked clear linkage between performance measures and outcomes.

The OMB has recognized that the Department's establishment of a Strategic Management Council (SMC) should aid in focusing the Department's resources on programs that result in positive outcomes, not simply output. The SMC is designed to provide direction and leadership on Department strategic planning, resource management, and performance accountability.

In a Department that has grown so rapidly over the past decade, linking credible performance measures to budget development and allocation of resources is a significant challenge. As a regular part of OIG program audits, we examine performance measures for the component or program under review. We highlight the existence or absence of such measures and offer recommendations as to whether the reported results are supported by reliable measurement methods or systems. We will continue to do so with our audits.

In addition, in FY 2002 we plan to audit the DEA's implementation of the GPRA. The audit will assess whether the DEA has developed quantifiable goals that support its mission and whether the performance data gathered to date are valid and accurate.

10. <u>Department of Justice Organizational Structure</u>: The Department is developing or implementing reorganization plans in several of its components. While some of this reorganization is related to the events of September 11, some is designed to correct long-standing organizational problems. The challenge for Department managers is not only to ensure that the reorganizations accomplish their intended purposes, but also to see that the Department's interconnected programs and functions are not adversely impacted by the changes.

The INS has proposed reorganizing itself into two separate but connected bureaus, one to handle enforcement of immigration laws and one to provide services and benefits to immigrants. Members of Congress are advocating competing reorganization proposals, including one that would break the INS into separate agencies to focus on enforcement and benefits and another that would create separate bureaus but retain a single agency structure. Among the INS's many challenges in any such reorganization will be to ensure that quality service is provided to eligible applicants while reconciling competing priorities, addressing insufficient accountability between field offices and headquarters staff, repairing outdated IT systems, and harmonizing inconsistent operations and policies.

OJP is reorganizing to reduce duplication in grant programs and improve efficiency. As mentioned previously, the OIG plans to audit OJP to assess the level of duplication in its grant management and oversight process in an effort to identify efficiencies.

Finally, the FBI is reorganizing its operations and reevaluating its mission in light of the September 11 attacks and its new priority to prevent acts of terrorism. In December 2001, the FBI Director announced a restructuring plan for FBI Headquarters that the FBI described as the first step in a "phased process of reorganizing assets, modernizing and integrating new technology, and consolidating functions."

To assist in this restructuring effort, the OIG will review the FBI's allocation of resources to conduct the varied investigations under its jurisdiction. The audit will: (1) evaluate the types and number of cases the FBI investigates, (2) assess performance measures for FBI casework, and (3) determine if opportunities exist for certain investigations to be handled by other federal, state, and/or local law enforcement agencies.

END

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